

India

# ABB Limited - Annual Report 2005



# ABB

## Contents

1	Board of Directors and Other Information
2	5 Year Highlights
5	Welcome to ABB
10	Notice to Members
14	Directors' Report
28	Management Discussion and Analysis
32	CEO & CFO Certification
33	Auditors' Report
36	Balance Sheet, Profit & Loss Account and Schedules
47	Notes to the accounts
64	Cash Flow Statement
66	Balance Sheet Abstract and Company's General Business Profile

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## Board of Directors

Dinesh Paliwal, Chairman  
Ravi Uppal, Vice Chairman and Managing Director  
Biplab Majumder, Executive Director (w.e.f. 24/01/2006)  
Nasser Munjee  
N S Raghavan  
D E Udawadia (w.e.f. 21/07/2005)  
K Sridhar (w.e.f. 21/07/2005)  
Tom Eric Sjökvist  
Bernhard Jucker (w.e.f. 24/01/2006)

## Auditors

M/s. S R Batliboi & Company  
Chartered Accountants

## Company Secretary

B Gururaj

## Registered Office

2nd Floor, East Wing  
Khanja Bhavan  
49, Race Course Road  
Bangalore - 560 001

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## Corporate Management Committee

Ravi Uppal  
Biplab Majumder  
I K Sadhu  
K Rajagopal  
P C Rajiv  
Shyam Karmarkar  
V Swamy  
Madhav M Digraaskar  
N Ravi  
Prakash Nayak  
Prakash Kanagalekar  
S Karun

## Registrar & Share Transfer Agents

Karvy Computershare Private Limited  
No. 51/2, T.K.N.Complex  
Vanivilas Road  
Opp. National College  
Basavanagudi  
Bangalore - 560 004

## Bankers

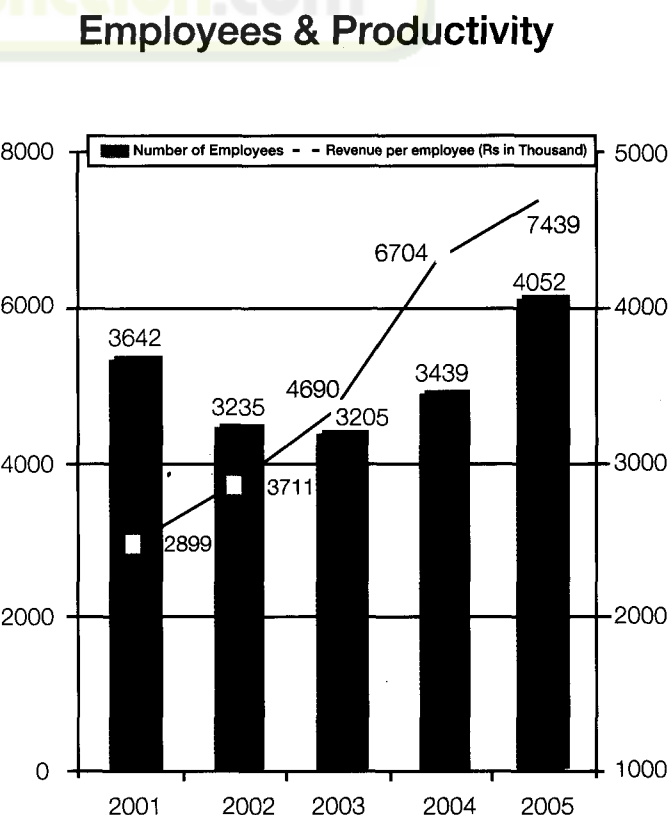
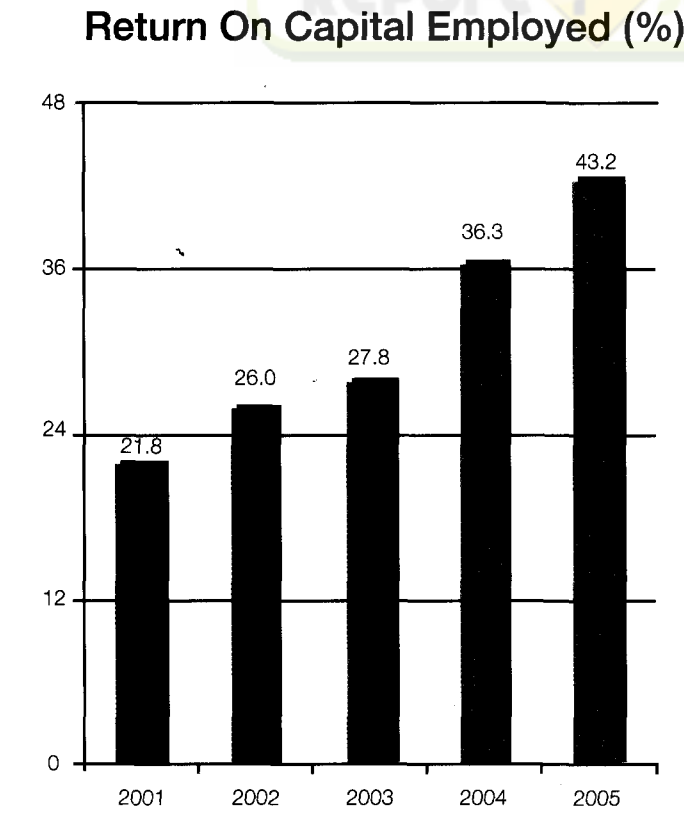
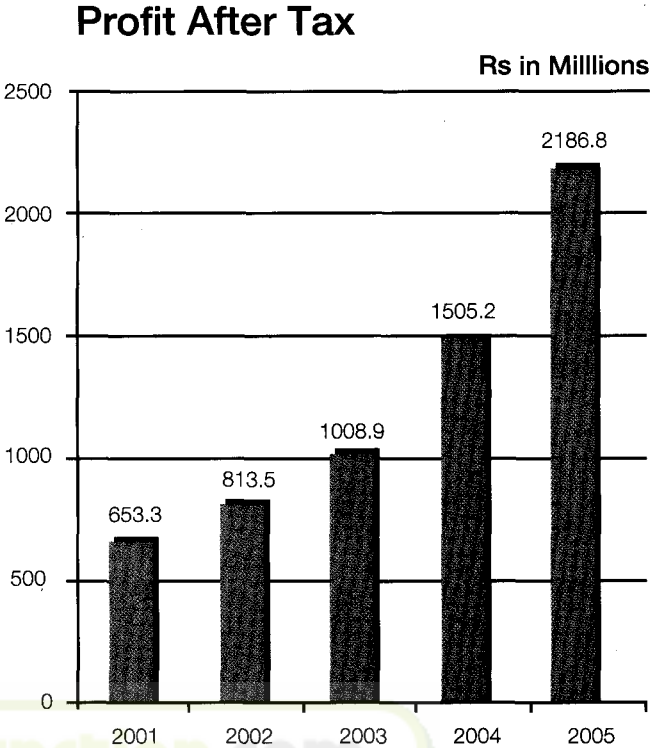
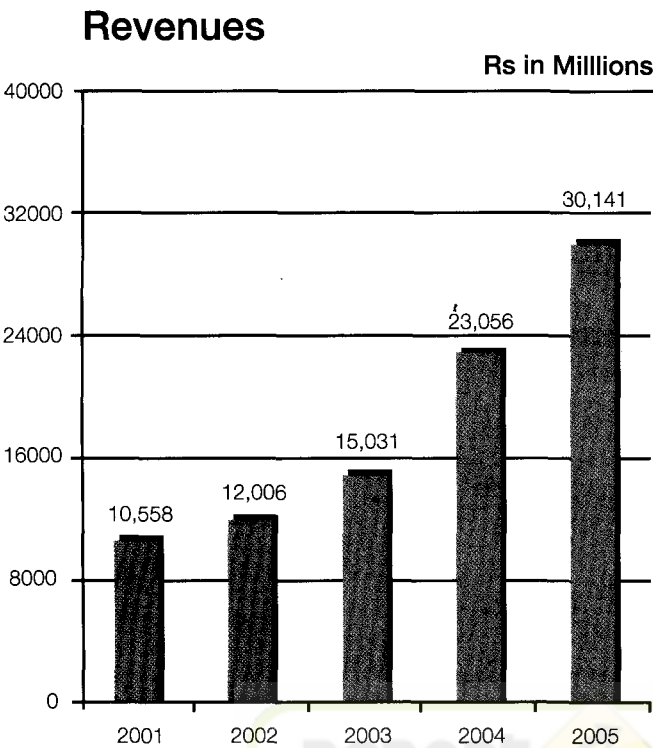
ICICI Bank Limited  
Canara Bank  
IDBI Bank Limited  
HDFC Bank Limited  
Hongkong and Shanghai Banking Corporation Limited  
Union Bank of India  
Standard Chartered Bank

## 5 Year Highlights

(Rs in Millions)					
Description	2005	2004	2003	2002	2001
<b>Sources of Funds</b>					
Share Capital	423.8	423.8	423.8	423.8	498.8
Reserves	8,466.7	6,669.4	5,461.6	4,539.2	3,805.4
Net Worth	8,890.5	7,093.2	5,885.4	4,963.0	4,304.2
Borrowings	27.3	14.9	101.0	123.7	108.0
Funds Employed	8,917.8	7,108.1	5,986.4	5,086.7	4,412.2
<b>Income and Profits</b>					
Sales & Other Income	30,141.4	23,055.7	15,030.6	12,005.7	10,557.6
Operating Profit Before Interest and Depreciation	3,692.6	2,582.3	1,722.8	1,418.9	1,105.9
Profit Before Tax	3,394.8	2,365.2	1,528.9	1,229.7	850.8
Tax	1,208.0	860.0	520.0	416.2	197.5
Profit After Tax	2,186.8	1,505.2	1,008.9	813.5	653.3
Dividend / Dividend Tax	389.4	335.4	319.5	259.1	228.2
Retained Earnings	1,797.4	1,169.8	689.4	554.4	425.1
<b>Other Data</b>					
Gross Fixed Assets	4,324.4	3,428.1	3,037.9	2,707.0	2,747.9
Debt Equity Ratio	0.01:1	0.01:1	0.02:1	0.02:1	0.03:1
Net Worth Per Equity Share - Rs	209.8	167.4	138.9	117.1	99.8
Earnings Per Equity Share - Rs	51.6	35.5	23.8	19.1	15.5
Dividend Per Equity Share - Rs	8.0	7.0	6.0	6.0	5.0
Profit After Taxes as % to Average Net Worth	27.4	23.2	18.6	17.6	15.9

Excludes revaluation of fixed assets, revaluation reserve and exceptional items.

5 Year Highlights

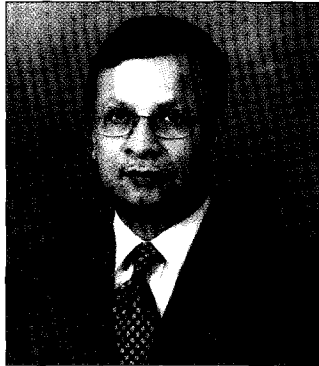


Excludes revaluation of fixed assets, revaluation reserve and exceptional items.

# Corporate Management Committee



Ravi Uppal  
Vice Chairman & MD



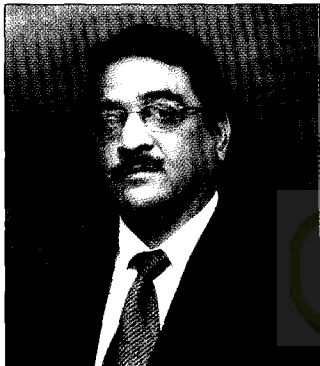
Biplab Majumder  
COO & Head - Automation Products



Inder Sadhu  
Head - Power Systems



V Swamy  
Head - Building Systems



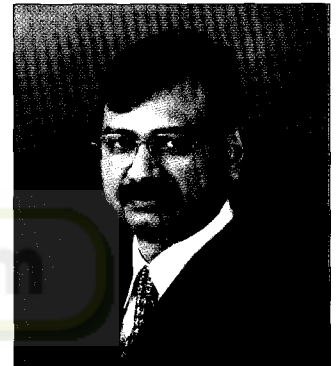
Madhav Digraskar  
Head - Power Products



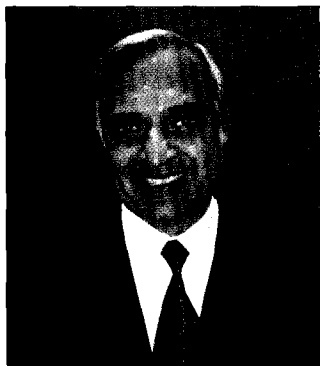
N Ravi  
Head - Process Automation



K Rajagopal  
Chief Financial Officer



PC Rajiv  
Head - Human Resources



Shyam Karmarkar  
Head - Marketing



Prakash Kanagalekar  
Head - Operational Excellence



S Karun  
Head - Service



Prakash Nayak  
Head - Corporate Research



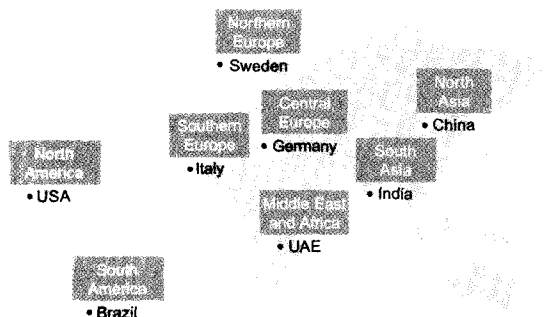
# Welcome to ABB

ABB is a global leader in power and automation technologies that enable utility and industry customers to improve performance while lowering environmental impact. The ABB Group of companies operates in over 100 countries and employs about 104,000 people. As one of the world's leading engineering companies, ABB's technology competence, broad application know-how and global presence offers customers easy access to leading electrical engineering and industry automation solutions and systems.

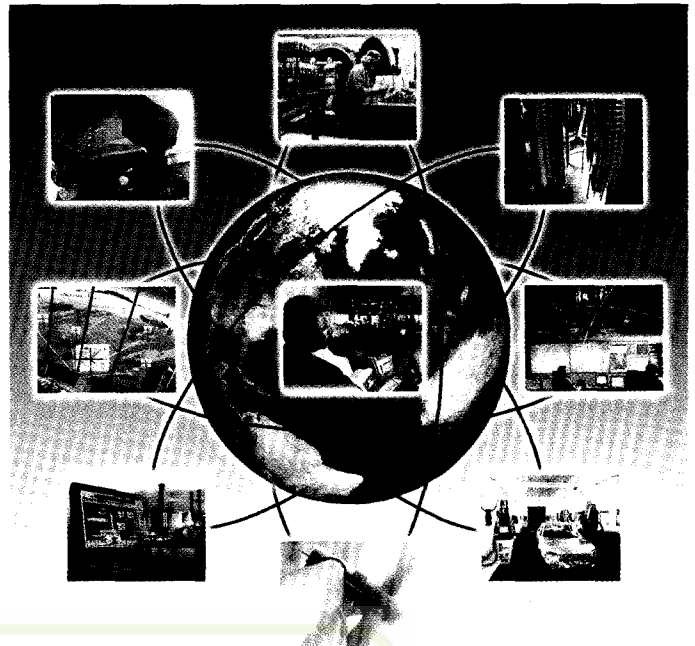
## A new focused ABB

ABB recently outlined a strategy that emphasizes improved business execution and a broader approach to value creation, including focus on growth, operating margins, use of capital and cash generation. To support the execution of the strategy, the two core divisions, i.e. power and automation technologies have been replaced by their five respective business areas. The new divisions, with effect from 1st January 2006 are Power Products, Power Systems, Automation Products, Process Automation and Robotics.

As part of the new organizational approach, eight regions have also been created, to manage business line and functional roles effectively across geographies and maximize synergies. These regions alongwith the R&D organization report to the Head, Global Markets and Technology, entrusted to drive execution of the company's strategy across national and regional borders as well as facilitate the integration of marketing and technology across the organization.



## 120 years of Technology & Innovation



With a technology heritage of over 120 years, ABB recognizes that innovation, supported by strong investment in research and development, is key to maintaining cutting-edge technologies and strengthening market leadership positions, today and in the future.

Technology plays a key role in the company and ABB, spends around USD One billion per annum on research and order related development. ABB has nine research centers, 6,000 scientists and 70 university collaborations across the world - all working to develop unique technologies that enable customers to be more competitive.

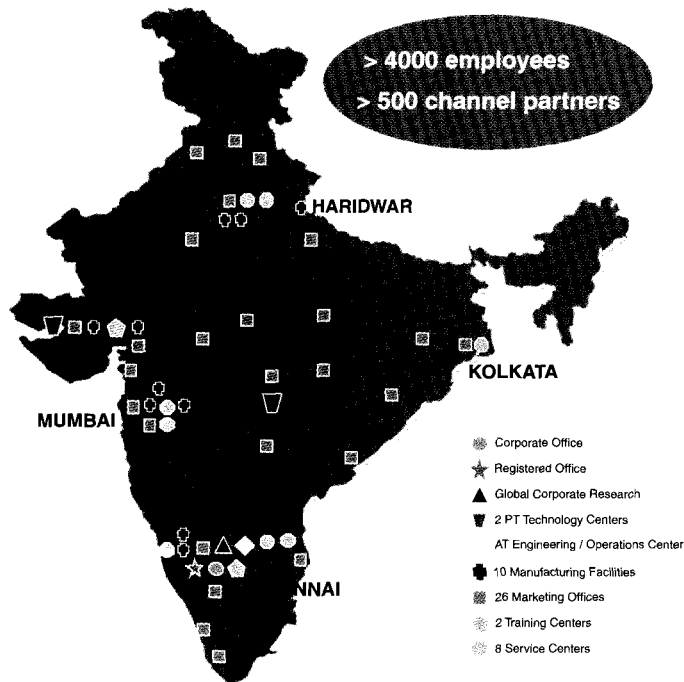
Every day, ABB produces and ships hundreds of thousands of products, ranging from tiny low-voltage switches and drives to huge transformers weighing over 1,000 tons. ABB provides industry and utility customers with high-efficiency, energy-saving products and systems that allow them to get the most from their grids and factories, while at the same time lowering environment impact.

# ABB in India

ABB India employs over 4000 people, has 10 manufacturing units, a global Engineering and Operation centre and a Group corporate R&D facility. The company has a countrywide marketing and service presence spanning 27 marketing offices, a network of over 500 channel partners and 8 service centres. The ABB Group is increasingly leveraging India both as a priority market and as an important regional and global resource base.

ABB remains committed to delivering state-of-the-art power and automation technology products, systems and solutions to facilitate the development of the country's power and industrial infrastructure. ABB has pioneered several technologies in India including the introduction of self-blast SF6 technology, first High Voltage Direct Current (HVDC) back-to-back converter station and transmission line, first Static Var Compensation (SVC) solution, first 400 kV switchyard, turnkey substation for first barge mounted power plant and many more.

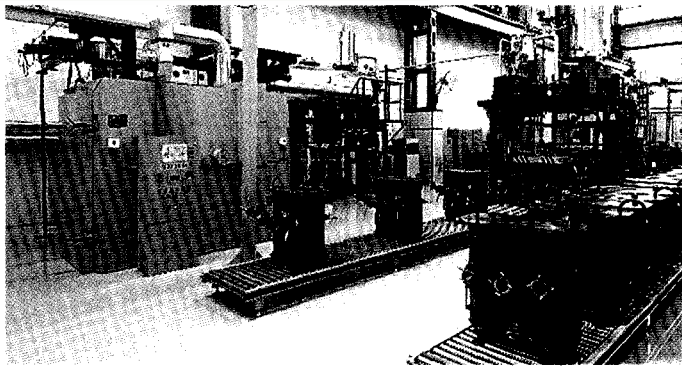
ABB is helping Indian industry become globally competitive by leveraging state-of-the-art automation technologies that enhance productivity, efficiency, quality and consistency.



New Drives facility, Bangalore



New HV Machines facility, Vadodara



New Distribution Transformers facility, Vadodara



New Ring Main Units facility, Nashik



## Power Systems

The Power Systems business offers turnkey systems and services for power transmission and distribution grids, as well as for power plants. For power generation, the offering includes complete electrification, automation, instrumentation and control of power plants.

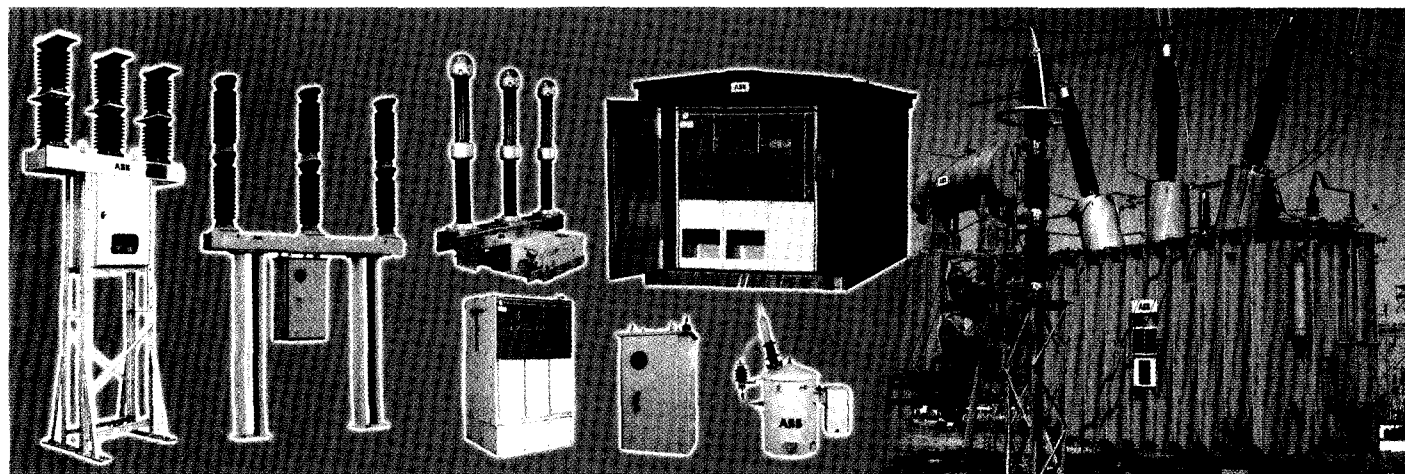
ABB delivers end-to end solutions, playing a key role in electrification and energy projects -, both new and retrofit - for urban and rural utilities as well as industrial and commercial customers.

The offering includes solutions like High-Voltage Direct Current (HVDC) systems and Flexible Alternating Current Transmission Systems (FACTS) that facilitate higher capacity utilization as well as efficient and reliable transmission of quality power. ABB also offers turnkey solutions for substations, distribution automation and network management. This includes Supervisory Control and Data Acquisition (SCADA) systems, Wide Area Monitoring Systems (WAMS) and a host of technologies that help reduce T&D losses, increase uptime and improve the overall reliability of the grid.



## Power Products

World class power products from ABB facilitate reliable and efficient transmission and distribution of electricity. ABB's product offering covers a wide spectrum of technologies across the entire voltage range including indoor and outdoor circuit breakers, air and gas insulated switchgear, disconnectors, capacitor banks and reactive power compensators, power and distribution transformers as well as instrument transformers.



## Process Automation

The Process Automation business serves customers across the industry spectrum. This includes process, manufacturing and consumer industries as well as buildings and infrastructure projects. ABB offers turnkey solutions for automation, control, plant optimization, and industry-specific applications. The business serves industries including oil and gas, power, chemicals and pharmaceuticals, pulp and paper, metals and minerals, marine and turbo charging among others. Key customer benefits include improved asset productivity and energy savings. ABB's automation solutions fully integrate industrial processes backed by world-class platforms.



## Automation Products

The Automation Products business serves customers with energy efficient and reliable products to improve their productivity. This includes a wide range of standard products like drives, motors, low voltage products, instrumentation and analytical, and power electronics. This business serves customers and channel partners, spanning a wide range of industry and utility operations, as well as commercial and residential buildings. All these are supported by world-class service backup and asset management solutions to help customers gain higher efficiencies and maintain the highest standards of competitiveness.



## Robotics

ABB has the world's largest installed base of industrial robots and also provides robot software, peripheral equipment and modular manufacturing cells for tasks such as assembly, painting and finishing, and machine tending. Key markets served, include automotive, foundry, packaging, material handling and consumer industries. A strong solution focus leverages thousands of successful applications for manufacturers worldwide.





ABB follows a 'triple bottom line' approach aimed at achieving a balance in the economic, environmental and social impact of the company's business and actively contributing to economic progress, environmental stewardship and sustainable development. In keeping with this commitment, ABB has a dedicated sustainability organization in place, headed by a Country Sustainability Controller working closely with NGOs on multiple projects across the country. The ABB India Foundation, a duly registered Charitable Trust, ensures dedicated focus and continuity of community development initiatives in a planned manner.

## Project 'Roshni'

ABB in India supports an inspiring initiative and works with various NGOs across the country on Project 'Roshni', which is focused on helping the 'differently abled' lead a life of dignity. Among other activities, these physically and mentally challenged individuals are engaged in supplying sub-assemblies for products being manufactured at ABB's plants located in close proximity, eg. Nashik and Peenya.

ABB was awarded the prestigious Helen Keller award in recognition of its efforts to promote the cause of facilitating gainful employment for people with disabilities. The award is instituted by the National Centre for the Promotion of Employment for Disabled People.

## Access to Electricity

ABB India has begun work on its 'Access to Electricity' programme with a small hamlet in Rajasthan - *Lakhania darjiyon ki dhani*, located about 125 Km from Jodhpur. The nearest power grid line to the village with around 100 households is about 15 Kms away. In partnership with a reputed NGO, ABB is helping electrify the village with solar energy and is also providing infrastructure facilities to the only school in the village.

## Tsunami Relief

ABB's work in the Tsunami affected areas in the southern state of Tamil Nadu, in partnership with reputed non-profitable organizations helped more than 1000 people restart their livelihoods. ABB also provided support to persons with disability to set up small businesses and helped facilitate self help groups of fisherwomen to reinstate their lost livelihoods with



microcredit. Some alternative livelihoods apart from fishing were also started by giving vocational training in tailoring, rope making and construction related activities.

## Education Programme

ABB continues to support nine schools for the socially disadvantaged, across the country. These include primary schools in Bangalore, Faridabad, Nashik and Vadodara. On 'World Environment Day', a painting competition was organized for the school children and selected paintings featured on ABB India's New Year greeting cards, printed on recycled paper.

## Environmental Awareness

All units of ABB India are ISO14001 certified. Some of the environmental initiatives underway across locations include greening programmes, recycling, energy conservation, rainwater harvesting and vermiculture.

## Health & Safety

ABB has significantly enhanced its focus on occupational health and safety. A clear safety policy is in place with a dedicated safety organization across locations. All units are OHSAS 18001 certified.

Intense communication efforts are underway to strongly promote the safety cause across all operations.

# Notice to Members

NOTICE is hereby given that the FIFTY-SIXTH ANNUAL GENERAL MEETING of the Members of **ABB Limited** will be held at ITC Hotel Windsor Sheraton & Towers, "Regency", 25, Golf Course Road, Bangalore – 560 052, on **Friday, May 26, 2006 at 3.00 PM (IST)** to transact the following business:

## Ordinary Business:

1. To receive, consider and adopt the Balance Sheet as at December 31, 2005 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors' and the Auditors' thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Mr. Tom Eric Sjoekvist, who retires by rotation at this Annual General Meeting, and being eligible, offers himself for re-election.
4. To appoint a Director in place of Mr. Nasser Munjee, who retires by rotation at this Annual General Meeting, and being eligible, offers himself for re-election.
5. To appoint M/s S.R. Batliboi & Co., Chartered Accountants, as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

## Special Business:

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** Mr. D E Udwadia, who was appointed as an Additional Director by the Board of Directors of the Company, pursuant to Article 152 of the Articles of Association of the Company and who holds office upto the date of the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** Mr. Bernhard Jucker who was appointed as a Director of the Company by the Board of Directors, pursuant to Article 151 of the Articles of Association of the Company to fill in the casual vacancy caused on the Board, due to the resignation of Mr. Peter Smits, and who holds office upto the date of this Annual General Meeting, pursuant to the provisions of Section 262 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** Mr. Biplab Majumder, who was appointed as an Additional Director by the Board of Directors of the Company, pursuant to Article 152 of the Articles of Association of the Company and who holds the office upto the date of the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company."

**RESOLVED FURTHER THAT** pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the Companies Act, 1956, as amended upto date, consent of the Company be and is hereby accorded to the appointment and payment of remuneration to Mr. Biplab Majumder as Executive Director of the Company, for a period of three years, with effect from January 24, 2006 to January 23, 2009 on the terms and conditions as set out in the draft agreement to be entered into between the Company and Mr. Biplab Majumder, a copy whereof initialed by the Chairman for the purpose of identification has been placed before the meeting, which agreement is hereby specifically approved with liberty to the Board of Directors to alter, vary and modify the terms and conditions of the said appointment and remuneration in such manner as may be agreed upon by the Board of Directors and Mr. Biplab Majumder and in accordance with the limits prescribed under Schedule XIII to the Companies Act, 1956 or any statutory amendment(s) and modification(s) thereto.

**RESOLVED FURTHER THAT** pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, remuneration payable to Mr. Biplab Majumder as Executive Director by way of salary, perquisites, commission and other allowances, shall not exceed 5% of the net profits of the Company and if there are more than one such director, 10% for all of them together in that financial year.

**RESOLVED FURTHER THAT** in the event of any loss or inadequacy of profits in any financial year of the Company during the tenure of Mr. Biplab Majumder as Executive Director of the Company, the remuneration, perquisites and other allowances shall be governed by the limits prescribed in Section II of Part II of Schedule XIII to the Companies Act, 1956, as amended from time to time.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board of Directors of the Company, be and is hereby authorized to do all such acts, deeds, matters or things and they may take such steps necessary, expedient or desirable in the best interest of the Company."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

**RESOLVED THAT** subject to requisite consent(s) / permission(s) / approval(s) of the concerned authorities as may be required, the equity shares of the Company be de-listed from Ahmedabad Stock Exchange Limited, The Calcutta Stock Exchange Association Limited and The Delhi Stock Exchange Association Limited.

**RESOLVED FURTHER THAT** the Board of Directors of the Company and / or its Authorised Representatives be and are hereby severally authorized to do all such acts, deeds and things as may be necessary or incidental in connection with the delisting of equity shares of the Company from the aforesaid stock exchanges.

By Order of the Board  
For ABB Limited

B Gururaj  
Vice President - Legal &  
Company Secretary

Mumbai  
January 24, 2006

Registered Office:  
2<sup>nd</sup> Floor, East Wing,  
Khanija Bhavan,  
49, Race Course Road,  
Bangalore – 560 001

#### Notes:

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, setting out the material facts in respect of special business under item Nos. 6 to 9 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY(IES) TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DULY FILLED, STAMPED, SIGNED AND SHOULD BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. PROXIES SUBMITTED ON BEHALF OF LIMITED COMPANIES, SOCIETIES, PARTNERSHIP FIRMS, ETC., MUST BE SUPPORTED BY APPROPRIATE RESOLUTION / AUTHORITY AS APPLICABLE, ISSUED ON BEHALF OF THE APPOINTING ORGANISATION.
3. Members should bring the duly filled in attendance slip sent herewith for attending the meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from **May 16, 2006 to May 26, 2006 (both days inclusive)** for the purpose of payment of dividend.
5. The dividend, as recommended by the Board, if declared at the Annual General Meeting, will be paid on or after May 29, 2006, to those members whose names stand registered on the Company's Register of Members:-
  - a) as Beneficial Owners as at the end of business hours on May 15, 2006 as per the list to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) in respect of shares held in demat form.
  - b) as Members in the Register of Members of the Company after giving effect to valid share transfers lodged with the Company, on or before May 15, 2006.
6. Members are requested to note that dividends not encashed or remaining unclaimed within a period of seven years from the date of transfer to the Company's Unpaid Dividend Account, will, be transferred, under Section 205-A of the Companies Act, 1956, to the Investor Education and Protection Fund, established under Section 205C of the said Act. Members, who have not yet encashed the dividend warrant(s) are requested to forward their claims to the Company's Registrar and Share Transfer Agents. It may be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund as above, no claim shall lie with the Company in respect of such amount. It may also be noted that the unclaimed dividend amounts which were lying with the company upto the year ended on December 31, 1997, have been transferred to the Investor Education and Protection Fund.
7. Members are requested to intimate, indicating their folio number, the changes, if any, in their registered addresses, either to the Company or to its Registrar and Share Transfer Agents, viz. **Karvy Computershare Private Limited, #51/2, T.K.N. Complex, Vanivilas Road, Opp. National College, Basavanagudi, Bangalore 560 004, Karnataka**, or to their respective Depository Participant (DP) in case the shares are held in dematerialised form.
8. Members holding shares in physical form can avail of the nomination facility by filing Form 2B (in duplicate) with the Company or its Registrar & Share Transfer Agents which will be made available on request and in case of shares held in dematerialised form, the nomination has to be lodged with their Depository Participant.
9. As required under clause 49 of the listing agreement of the stock exchanges, the relevant details of persons seeking appointment / re-appointment as directors are furnished in the Corporate Governance Section of this Annual Report.



## Annexure to Notice

### Explanatory Statement under Section 173(2) of the Companies Act, 1956,

#### Item No. 6

Mr. D E Udwadia was appointed as an Additional Director by the Board in its meeting held on July 21, 2005. In terms of Section 260 of the Companies Act, 1956 and Article 152 of the Articles of Association of the Company, Mr. Udwadia holds office as a Director upto the date of the ensuing Annual General Meeting of the Company and is eligible for re-appointment as a Director.

The Company has received notice under Section 257 of the Companies Act, 1956, along with the deposit of Rs.500/- from a member, proposing the candidature of Mr. Udwadia, for the office of Director.

The Board considers his association as a Director will be beneficial and in the interest of the Company.

The Directors recommend the ordinary resolution for your approval.

Except Mr. Udwadia, none of the other Directors is, in any way concerned or interested in the said resolution.

#### Item No. 7

Mr. Bernhard Jucker was appointed as a Director by the Board in its meeting held on January 24, 2006, pursuant to Article 151 of the Articles of Association of the Company, to fill in the casual vacancy caused by the resignation of Mr. Peter Smits. Since Mr. Peter Smits was to retire by rotation at this Annual General Meeting, Mr. Bernhard Jucker would cease to hold office at this meeting pursuant to Section 262 of the Companies Act, 1956.

The Company has received notice under Section 257 of the Companies Act, 1956, alongwith the deposit of Rs.500/- from a member, proposing the candidature of Mr. Bernhard Jucker, for the office of Director.

The Board considers his association as a Director will be beneficial and in the interest of the Company.

The Directors recommend the ordinary resolution for your approval.

Except Mr. Bernhard Jucker, none of the other Directors is, in any way concerned or interested in the said resolution.

#### Item No. 8

At the meeting of the Board of Directors of the Company held on January 24, 2006, the Board of Directors appointed Mr. Biplab Majumder as an Additional Director on the Board of Directors of the Company.

By virtue of the provisions of Section 260 of the Companies Act, 1956 and Article 152 of the Articles of Association of the Company, Mr. Majumder holds office as a Director upto the date of ensuing Annual General Meeting of the Company.

A notice pursuant to Section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- has been received from a member in writing, proposing the candidature of Mr. Biplab Majumder as a Director.

At the said meeting, Mr. Biplab Majumder was also appointed as Executive Director of the Company for a period of 3 (three) years, with effect from January 24, 2006.

The terms and conditions and remuneration relating to his appointment as Executive Director of the Company are set out in the draft agreement, a copy whereof duly initialed by the Chairman is placed in the meeting for the purpose of identification and is subject to the approval of the Members of the Company, as required under Section 269 read with Schedule XIII to the Companies Act, 1956.

The principal terms and conditions as contained in the draft agreement are as under:

#### 1. Tenure of appointment

The appointment is for a period of three years with effect from January 24, 2006. Mr. Majumder whilst holding the office of Executive Director of the Company, is not subject to retirement by rotation.

#### 2. Remuneration

##### (a) Salary

Rs.86,650/- per month

##### (b) Commission

Mr. Majumder shall be entitled to an annual performance related bonus not exceeding Rs.1,050,000/- per annum (maximum at 100% achievement of the targets fixed), which shall be determined by comparing annual targets with results achieved and as determined by the Board of Directors.

##### (c) Perquisites

Mr. Majumder shall be entitled to perquisites like furnished accommodation or house rent allowance in lieu thereof, reimbursement of medical expenses incurred in India or abroad for self and family, leave travel concession, contribution to Provident Fund, Superannuation Fund and Gratuity Fund, and other amenities viz., Company's car with chauffeur etc., and all other payments in the nature of perquisites and allowances as agreed to between Mr. Majumder and the Board of Directors, from time to time, subject however, that the aggregate monetary value of all perquisites of whatsoever nature, in any financial year shall not exceed Rs.3,160,200/- per annum.

##### (d) Others

Mr. Majumder is also eligible for club fees, personal accident insurance coverage and telephone at residence.

##### (e) Leave

Leave with full pay or encashment as per rules of the Company.

##### (f) Overall Remuneration

The aggregate of salary, commission and perquisites in any financial year shall not exceed the limits prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may for the time being be in force.

**(g) Minimum Remuneration**

In case of loss or inadequacy of profits in any financial year during the currency of tenure of his service, the payment of salary, commission and perquisites shall be governed by the limits prescribed under the Section II of Part II of Schedule XIII to the Companies Act, 1956.

This explanatory statement together with the accompanying Notice is to be regarded as an abstract of the terms of the agreement and memorandum of concern or interest, under the provisions of Section 302 of the Companies Act, 1956.

In compliance with the provisions of Section 269, 309 and other applicable provisions of the Companies Act, 1956, the terms & conditions relating to his appointment and remuneration specified above are placed before the members for their approval.

The Directors commend the passing of the resolution set out at Item No.8, of the accompanying notice.

The draft agreement referred to in the resolution at Item No.8 of the accompanying notice is open for inspection by the members at the Registered Office of the Company during office hours on any working day of the company, upto the date of the Annual General Meeting.

The terms and conditions of the said appointment and /or agreement may be altered and varied from time to time by the Board as may be permissible and if deem fit, so as not to exceed the limits specified in the Companies Act, 1956 or any amendments made thereto.

Mr. Biplab Majumder is concerned or interested in the resolution at this item as also in the draft agreement, since it relates to his own appointment and remuneration.

Save as aforesaid, none of the Directors of the Company, is in anyway concerned or interested in the said resolution.

**Item No. 9**

The equity shares of the Company are currently listed with 5 stock exchanges in the country viz., National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Ahmedabad Stock Exchange (ASE), Calcutta Stock Exchange (CLSE) and the Delhi Stock Exchange (DSE).

The trading in the equity shares of the Company is abysmally low in three stock exchanges viz., ASE, CLSE and DSE, except the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE).

Since the BOLT of BSE and the large network of NSE offer investors spread across the country, sufficient trading and liquidity, the Board of Directors of the Company, in accordance with the SEBI Guidelines on Delisting, has decided to voluntarily de-list the equity shares of the Company from Ahmedabad Stock Exchange, Calcutta Stock Exchange and Delhi Stock Exchange, subject to necessary approvals. However, the Company will have continued listing of its equity shares on stock exchanges having nationwide trading terminals i.e., National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE).

As required under SEBI Guidelines on De-listing, the Company is required to obtain prior consent of the shareholders by way of a Special Resolution.

The Directors recommend passing of the Special Resolution by the Members at item No.9 of the accompanying notice.

None of the Directors is, in any way, concerned or interested in the said resolution.

By Order of the Board  
For ABB Limited

B Gururaj  
Vice President - Legal &  
Company Secretary

Mumbai  
January 24, 2006

Registered Office:  
2<sup>nd</sup> Floor, East Wing,  
Khanija Bhavan,  
49, Race Course Road,  
Bangalore – 560 001

# Directors' Report

Your Directors have pleasure in presenting their Fifty-sixth Annual Report and Audited Accounts for the year ended December 31, 2005.

## Financial Results

	For the year ended December 31, 2005	(Rs in Thousands) For the year ended December 31, 2004
Profit Before Tax and Exceptional Item	3,394,770	2,365,200
Exceptional Item – Profit on Sale of Undertaking	-	37,991
Profit Before Taxation	3,394,770	2,403,191
Less: Provision for Tax		
- Current Tax	1,204,000	874,000
- Deferred Tax	(48,000)	(14,000)
- Fringe Benefit Tax	52,000	-
Profit After Tax	2,186,770	1,543,191
Less: Transfer to Foreign Projects Reserve Account	-	4,000
Balance Brought Forward from last year	302,122	278,374
Amount available for Appropriation	2,488,892	1,817,565
<b>Appropriations</b>		
General Reserve	1,750,000	1,180,000
Proposed Dividend	339,053	296,672
Corporate Dividend Tax	47,552	38,771
Corporate Dividend Tax – 2004	2,837	-
Balance Carried Forward	349,450	302,122
	2,488,892	1,817,565

## Dividend

Your Directors recommend payment of a dividend at the rate of Rs.8 (previous year Rs 7.00) per equity share for the year ended December 31, 2005 on 42,381,675 equity shares of Rs.10 each.

## Performance Review

Orders received during the year at Rs 37,645 million were 45% higher compared to Rs 25,878 million in the previous year. Orders backlog at the end of 2005 was healthy at Rs 21,032 million compared to Rs 13,356 at the end of previous year.

Sales and other income for the year were higher by 31% at Rs 30,141 million compared to Rs 23,056 million in the previous year. Profit before tax and exceptional item was significantly higher at Rs 3,395 million compared to Rs 2,365 million in the previous year. Growth in profit was mainly attributable to volume growth, operational efficiencies and higher interest income from short and long term investments.

Profit after tax at Rs 2,187 million for the year has improved by 42% compared to Rs 1,543 million in the previous year. Earning per equity share of face value of Rs 10 correspondingly improved to Rs 51.60 compared to Rs 36.41 in the previous year.

Operating performance of both the core segments, power technologies and automation technologies was significantly better than previous year. For detailed analysis of the performance, please refer to management's discussion and analysis section of the annual report.

## Transfer to the Investor Education and Protection Fund

In terms of Section 205C of the Companies Act, 1956, the unclaimed dividend amount aggregating to Rs.549,315/- lying with the Company for a period of seven years pertaining to year ended on 31 December, 1997, was transferred during the year to the Investor Education and Protection Fund.

## Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given in Annexure – A, forming part of this report.

## Environment, Health and Safety

The Company has in place a system for controlling and monitoring pollutants at all factories complying with environmental standards and legislation. All

the manufacturing units of the Company have received certificates for ISO 14001 (EMS). Environment, health and safety are given high priority. All the units of the Company have been awarded OHSAS 18001 certification for the health and safety system. Several environmental management projects are underway across the locations. Some of these include energy conservation, waste management, rain water harvesting and greening initiatives.

### Particulars of Employees

The statement under sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended and forming part of this report is given in Annexure-B. The said Annexure - B shall, however, be provided to the Members on request to be made to the Company Secretary.

### Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed by the Company;
- ii. appropriate accounting policies have been selected and applied consistently and such judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at December 31, 2005 and of the profit of the Company for the year ended on that date;
- iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. the annual accounts have been prepared on a going concern basis.

### Corporate Governance

As required by recently amended clause 49 of the listing agreement of stock exchanges, a report on corporate governance and a certificate from M/s D. R. Shreshta & Associates, Practicing Company Secretaries, confirming compliance with requirement of corporate governance are given in Annexure - C and Annexure - D respectively, which forms part of this report.

### Board of Directors

Mr. Umesh Prasad Singh resigned as a Director of the Company effective February 14, 2005. Mr. Peter Smits and Mr. Peter Leupp resigned as Directors of the Company effective December 22, 2005. Your Directors place on record their appreciation of the valuable services rendered by the aforesaid Directors during their tenure as Directors of the Company.

Mr. D E Udwadia was appointed as an Additional Director on the Board of the Company on July 21, 2005. Further, the Board appointed Mr. K Shridhar as a Director of the Company effective July 21, 2005, in the casual vacancy caused by the resignation of Mr. R N Bharadwaj.

The Board of Directors of the Company in its meeting held on January 24, 2006, has appointed Mr. Biplab Majumder as an Additional Director and also as Executive Director of the Company for a period of three years with effect from January 24, 2006, subject to the approval of the shareholders in General Meeting. Further, the Board appointed Mr. Bernhard Jucker as a Director of the Company, effective January 24, 2006, in the casual vacancy caused by the resignation of Mr. Peter Smits.

Mr. Tom Eric Sjoekvist and Mr. Nasser Munjee, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The particulars of the retiring Directors are furnished in the Corporate Governance section annexed to this report.

Necessary resolution relating to Directors who are seeking appointment / re-appointment is included in the Notice of Annual General Meeting.

### Auditors

The Company's Auditors - M/s. S.R. Batliboi & Company, Chartered Accountants, hold office upto the conclusion of the ensuing Annual General Meeting. The Company has received a requisite certificate from them pursuant to Section 224(1B) of the Companies Act, 1956, confirming their eligibility for re-appointment as Auditors of the Company.

For and on behalf of  
the Board

Mumbai  
January 24, 2006

Dinesh Paliwal  
Chairman

# Annexure - A to Directors' Report

## Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo - Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

### (A) Conservation of energy

#### (a) Energy conservation measures taken during the year

Detailed studies were conducted to achieve unity power factor at Company's Vadodara unit. Continuous efforts were made to moderate peak load demand. Optimisation of oven power ratings and deployment of regenerative method for load testing of HT motors was carried out. Training programmes were conducted for increased awareness on energy conservation.

#### (b) Proposals being implemented for reduction of consumption

Actions taken to control consumption of energy included installations of dynamic reactive power compensator with switched capacitor banks at Vadodara unit, thrust on energy efficiency in selection of new plants, installation of solar lamps, use of thermic fluid heating for oven in place of electrical heating and energy efficient air-cooling and air conditioning plant. Water harvesting was also taken up at the various manufacturing units.

#### (c) Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of goods

Total energy saving is estimated at around 200,000 kWh of energy per annum. This savings, however, has no appreciable impact on cost of goods, as the Company's production processes are not energy intensive.

### (B) Technology absorption

#### (a) Research and Development (R&D)

##### (1) Specific areas in which R&D is carried out by the Company

Major R&D effort areas included numeric relay for over current- earth fault protection, micro-controller based time-lag and voltage relays, self power relay designs, 245 kV transformer bushing, design upgrades for CT and CVT, standalone protection coupler type NSD-50, motor with 2P ratings of frame M2BA400L, die cast rotor design of motor frames M2BA355/2P, 4P, 6P, cooling arrangement for motors, 420 kV, 2000A, HCB disconnectors, fuse less capacitors, compact design for CLMD 33C capacitors, 150 kVAR STATCON for railways, 12kV indoor cost effective design compact VCB, and switchgear cubicle, 12kV pole mounted auto recloser & pole mounted capacitor switch, 12kV air switch and outdoor RMU, magnetic actuators for vacuum contactor and for 50kA application, drives for HV breakers, 180kVA traction converters, novel algorithms for common platform relay designs.

##### (2) Benefits derived as a result of the above R&D

Multifold benefits were accrued as a result of R&D activities. Apart from strengthening of technical base and increased participation in Global projects, other benefits have been reflected in terms of

- improvement of product reliability
- introduction of new product ranges and adaptation of designs to suit domestic markets
- reduction in material cost
- increase in exports
- increased acceptability of products in global markets
- better productivity and first pass yields

#### (3) Future plan of action

Continuous efforts are made to integrate R&D activities with reference to customers' requirement. Future plan includes:

Launch of NI-40 and NI-41 type over current and earth fault relays, universal time-lag relay, over voltage and under voltage relays, 12kV, 40kA indoor VCB, 12kV sectionaliser, localisation of PR521, PR512, SPAD346C and SPAE relays, compact design of UVT relay, 3600Amps, 400 kV current transformer, composite insulators for 145 kV CT, development of oil immersed internal breaker for transformer, increased usage of 3-D modeling techniques for design optimization of components, motors for frames 71-160, flame proof motors in frame JHX 80 and JHX90, development of SPO version of 145kV circuit breaker, development of motor drive, one MVAR capacitor unit, HV bushings with higher creepage, 3 phase STATCONs with ratings equal to and greater than 100 kVAR, new 12kV, 40 kA switchgear cubicle, improved version of 12kV compact sub station with concrete foundation.

#### (4) Expenditure on R&D

	(Rs in Thousands)
i) Capital	9,700
ii) Revenue	28,520
iii) Total	38,220
iv) Total R&D expenditure as a percentage of turnover	0.13

#### (b) Technology absorption, adaptation and innovation

##### (1) Efforts made towards technology absorption, adaptation and innovation

Extensive training and skill building exercises were conducted in-house and at the collaborators' end to improve design, development, production, commissioning and servicing. Some of the products and applications covered were:

Failure analysis and design review of PQ8 mechanism, type testing of relays as per IEC, development of indigenous components for relays, development of non-standard variants of UVT, VHXM and substitution of obsolete components for FCX, UFX and PPX relays, 245 kV transformer bushing, up gradation of I-650/ I-425 - software to Windows 2000 and XP operating platform, adoption of form-fit tank design for 315 MVA auto-transformers, development of 145 kV breaker of capacitive duty class C2, development of mechanical gang breaker with spring drive with rating of 245kV, localisation of 12kV Ring main unit, IEC 61850 based protection and substation automation systems.

##### (2) Benefits derived as a result of above efforts

###### (i) Product improvement

As a result of the above efforts, product quality, performance and reliability have improved. Also very low vibration levels could be achieved for testing of HT motors. Usage of CAD/CAM tools has also helped in reduction of the time required for the electrical and mechanical designs.

###### (ii) Cost reduction

Substantial cost reduction has been achieved through design changes, standardisation of components, indigenisation of components and developments of relays, transformers, LV switchgears, RMU, HV and MV Switchgears and dis-connectors. Automation of process has also helped in reducing the cycle time.



**(iii) Product development**

Important products developed were 250KW/4P wind generator, ACB E1 frame size up to 1600A, 150 kVAR STATCON for railways, 12kV Indoor cost effective compact VCB and switchgear cubicle, 12kV pole mounted auto recloser and capacitor switch, 12kV air Switch and outdoor RMU, magnetic actuators for vacuum contactor and for 50kA application, HT machines for high speed compressor application, 245 kV transformer bushing, NI40 and NI41 relays.

**(iv) Import substitution**

Import substitution was carried out for ICM relay components, epoxy housing of 12kV indoor VCB, tank components of 12 kV ring main unit, breaker drive components, control CTs and PTs.

**(3) Imported Technology (imported during last five years)**

**(i) Technology imported**

• 400kV Power Transformer	2002
• High voltage circuit breakers (36kV to 420kV)	2003
• Instrument transformers (36kV to 420kV all types)	2003
• Miniature circuit breakers	2003
• Power capacitor units and Banks	2003
• HT Motors	2003
• LV Capacitors	2003
• Transformer Bushings	2004
• 3100 HP Supercharger	2004
• INDACTIC 1425 telemetering equipment	2004
• Air circuit breakers	2004
• 'A' range contactors up to 40A	2005
• Residual current circuit breakers	2005
• PR521 and PR512 relays	2005
• SPAD 346C relays	2005
• Operating mechanism- BLK222 245kV CB	2005
• ACS 550 Drives	2005

**(ii) Has technology been fully absorbed?**

Yes, except HT motors, RCCB, PR521, PR512 and SPAD 346C relays.

**(C) Foreign exchange earnings and outgo**

**(a) Activities related to Exports; initiative taken to increase exports; development of new export markets for products and services; export plans**

Exports orders booked during the year at Rs 2,836 million were significantly higher compared to Rs 1,940 million in previous year (excluding an exceptionally high value turnkey substation project order valuing Rs 1,350 million from Middle East). Revenues from exports at Rs 2,337 million were at similar level as in the previous year.

Power technology product export consolidated its position by reaching 82 countries. During the year new countries added included Saudi Arabia, Cameroon, Sudan and Croatia. Orders for compact secondary sub-stations, ring main units and 245kV SF6 circuit breakers were received for the first time. In Group's front-end sales conference in April, 2005, Company's manufacturing capabilities were demonstrated, which will help in securing more orders. Major export orders were received from ESKOM, South Africa, Australian utility Western Power and Mohan Exports, New Delhi. Power technology system booked a large turnkey order to construct 230 kV switchyard from a power grid company of Bangladesh. Revenue from a large Middle East order booked in last year is expected to commence from early part of the year 2006. Export orders and revenues of Automation technology segment also registered a growth during year. During the year Group's global engineering and sourcing centre was established and commenced the operation. This will significantly contribute to export revenues in future. Turbocharger service centre was established at Colombo, Sri Lanka. Export of systems and products increased to Middle East, South and South East Asian countries with large orders from Bangladesh, Malaysia and Thailand. Overall a growth prospect for exports continues to be promising.

**(b) Total foreign exchange used and earned**

(Rs in Millions)

a) Foreign Exchange earned (including deemed exports)	2,631
b) Foreign Exchange used	7,761

Mumbai  
January 24, 2006

For and on behalf of the  
Board

Dinesh Paliwal  
Chairman

# Annexure – C to Directors' Report

## Report on Corporate Governance

### (1) Corporate Governance Philosophy

The Company is committed to good Corporate Governance. The Company fully realises the rights of its shareholders to information on the performance of the Company and considers itself a trustee of its shareholders. The Company provides detailed information on various issues concerning the Company's business and financial performance to its shareholders. The basic philosophy of Corporate Governance in the Company is to achieve business excellence and dedicate itself for increasing long-term shareholder value, keeping in view the needs and interests of all its stakeholders. The Company is committed to transparency in all its dealings and places emphasis on business ethics.

### (2) Board of Directors

#### (i) Composition / Category of Directors / Attendance at Meetings / Directorships & Committee Memberships in other Companies as on December 31, 2005

Name	Category of Director	Attendance			Directorships/Mandatory Committee Memberships in other Companies		
		No. of Board Meetings held during 2005	No. of Board Meetings attended	Last AGM attendance	Directorships	Committee Memberships	Committee Chairmanships
Mr. Dinesh Paliwal (Chairman)	Non-executive	4	2	YES	NIL	NIL	NIL
Mr. Ravi Uppal (Vice Chairman & Managing Director)	Executive	4	4	YES	5	NIL	1
Mr. N S Raghavan	Non-executive & Independent	4	4	YES	3	NIL	NIL
Mr. Nasser Munjee	Non-executive & Independent	4	3	NO	14	7	1
Mr. Tom Eric Sjoekvist	Non-executive	4	2	NO	NIL	NIL	NIL
Mr. D E Udwadia (*)	Non-executive & Independent	4	2	NA	17	6	1
Mr. K Sridhar (*)	Non-executive & Independent	4	2	NA	7	NIL	NIL

(\*) Mr. D E Udwadia was appointed as an Additional Director by the Board of Directors of the Company on July 21, 2005. Mr. K Sridhar was appointed as a Director by the Board of Directors of the Company on July 21, 2005, in the casual vacancy caused due to the resignation of Mr. R N Bharadwaj on December 13, 2004.

Mr. Umesh Prasad Singh resigned as a Director of the Company on February 14, 2005. Mr. Peter Smits and Mr. Peter Leupp, have resigned as the Directors of the Company on December 22, 2005.

None of the Non-executive and Non-Independent Directors has any pecuniary relationship or transactions with ABB Group Companies except for holding Directorship and / or employment in ABB Group Companies.

#### (ii) No. of Board Meetings held in the Financial Year 2005 and dates on which held

The Board meets at least once in a quarter to consider amongst other business, the quarterly performance of the Company and the financial results. The Board has held four meetings during the financial year 2005 i.e., on February 1, 2005, April 14, 2005, July 21, 2005 and October 25, 2005.

### (3) Audit Committee

#### (i) Terms of Reference

The Audit Committee is responsible for overseeing the Company's financial reporting process, reviewing the quarterly / half-yearly / annual financial statements, reviewing with the management the financial statements and adequacy of internal audit function, recommending the appointment / re-appointment of statutory auditors and fixation of audit fees, reviewing the significant internal audit findings / related party transactions, reviewing the Management Discussion and Analysis of financial condition and result of operations and also statutory compliance issues. The Committee acts as a link between the management, external and internal auditors and the Board of Directors of the Company.

The Committee has discussed with the external auditors their audit methodology, audit planning and significant observations / suggestions made by them. The Committee has also discussed major issues related to risk management and compliances.

In addition, the Committee has discharged such other role / function as envisaged under Clause 49 of the Listing Agreement of the Stock Exchange and the provisions of Section 292A of the Companies Act, 1956.

#### (ii) Composition, name of members & Chairperson, meetings held during the year and attendance at meetings

The Company has complied with the requirements of Clause 49 of the Listing Agreement of the Stock Exchange and Section 292A of the Companies Act, 1956, as regards composition of Audit Committee.

The Audit Committee consists of 4 Non-executive Independent Directors. The Committee has held four meetings during the financial year 2005 i.e., on January 31, 2005, April 14, 2005, July 21, 2005 and October 24, 2005. The Composition of the Audit Committee as on December 31, 2005 and the attendance of members at the meetings of the Audit Committee held during the financial year 2005 were as follows:

Members of Audit Committee	No. of meetings attended
Mr. Nasser Munjee (Chairman)	3
Mr. N S Raghavan	4
Mr. D E Udwardia (*)	1
Mr. K Sridhar (*)	Nil

(\*) Mr. D E Udwardia and Mr. K Sridhar were inducted as Members into the Audit Committee on July 21, 2005.

### (4) Remuneration Committee

#### (i) Terms of Reference

The Remuneration Committee of the Board which was constituted in the year 2000 was re-constituted, from time to time, due to changes in directorships. The role of the Remuneration Committee is to recommend to the Board, the remuneration package for the Executive Directors. Remuneration of Executive Directors is governed by the external competitive environment, track record, potential and performance of the executive and performance of the Company.

#### (ii) Composition, name of members & Chairperson, meetings held during the year and attendance at meetings

The Remuneration Committee consists of 2 Non-executive Directors, the Chairman being Non-executive and Independent. The Committee has held one meeting during the financial year 2005 i.e., on May 24, 2005. The Composition of the Remuneration Committee as on December 31, 2005 and the attendance of members at the meeting of the Remuneration Committee held during the financial year 2005 were as follows:

Members of Remuneration Committee	No. of meetings attended
Mr. N S Raghavan, Chairman	1
Mr. Dinesh Paliwal	1

#### (iii) Remuneration Policy

The Company has a credible and transparent policy in determining and accounting for the remuneration of the Executive / Non-executive Directors. Their remuneration is determined in accordance with the experience and nature of responsibilities as well as industry standards. The same is subject to the approval of the Remuneration Committee of the Board of Directors and the Members.

(iv) Details of remuneration to all the Directors during the financial year 2005

(Rs in Thousands)

Name	Sitting Fees	Salary & Perquisites	Commission*	Stock Option	Pension	Total
Mr. Ravi Uppal	Nil	10458	3375	Nil	Nil	13833
Mr. N.S. Raghavan	60	NA	300	Nil	Nil	360
Mr. Nasser Munjee	35	NA	300	Nil	Nil	335
Mr. U P Singh	10	NA	Nil	Nil	Nil	10
Mr. D E Udawadia	15	NA	300	Nil	Nil	315
Mr. K Sridhar	10	NA	300	Nil	Nil	310

\* subject to the approval of the Board

**Fixed Component / Performance Linked Incentive / Criteria**

The Vice Chairman and Managing Director shall be entitled to an annual performance related commission based on the results achieved against the targets fixed and determined by the Board. Under the best performance targets, the commission amount shall not exceed Rs.3,375,000/- per annum at 100% achievement level of the performance target.

**Service Contract / Notice Period / Severance Fees**

The Contract of Service entered into by the Company with Mr. Ravi Uppal, Vice Chairman & Managing Director is valid for five years effective October 1, 2001 and that the Company and Mr. Ravi Uppal shall be entitled to terminate the agreement by giving to the other party 180 days notice in writing. No severance fee is payable by the Company on termination of the agreement.

**Criteria of payments to Non-executive Directors**

The Non-executive Directors are compensated by way of a commission, the criteria being their attendance in the Board / Committee Meetings.

**(5) Shareholders' Committee**

The Board of Directors of the Company has set up a Share Transfer and Investors' Grievance Committee which has been authorised to approve the transfer / transmission / transposition of shares. In order to expedite the process, the Board of Directors has also delegated the authority to the Vice Chairman & Managing Director (VC&MD) to approve the share transfers and accordingly, the VC&MD approves the transfer / transmission of shares at a frequency of about thrice a month.

Two meetings of Share Transfer and Investors' Grievance Committee were held during the financial year 2005 i.e., on March 16, 2005 and July 12, 2005.

Mr. B Gururaj, Vice President – Legal & Company Secretary is the Compliance Officer of the Company.

The composition of Share Transfer and Investors' Grievance Committee as at December 31, 2005 and attendance of the Committee members at these meetings were as follows:

Members of Share Transfer and Investors' Grievance Committee	No. of meetings attended
Mr. D E Udawadia, Chairman (*)	NA
Mr. N S Raghavan	2
Mr. Ravi Uppal	2

(\*) Mr. D E Udawadia was inducted as a Member into the Share Transfer & Investors' Grievance Committee on July 21, 2005.

The details of investors' complaints received and resolved during the financial year 2005 are as under:

No. of investors' complaints received during 2005	No. of investors' complaints resolved during 2005	Investors' complaints pending at the end of 2005
187	187	NIL

**(6) General Body Meetings**

**(i) Location and time where last three Annual General Meetings (AGMs) held**

For the year	Venue	Day & Date	Time
2004	ITC Hotel Windsor Sheraton & Towers, "Windsor Square", No.25, Golf Course Road, Bangalore – 560 052	Tuesday, May 24, 2005	3.00 p.m. (IST)
2003	Chowdiah Memorial Hall, G.D. Park Extension, Vyalikaval, Bangalore - 560 003	Tuesday, April 27, 2004	3.00 p.m. (IST)
2002	Rama Watumul Auditorium, Kishinchand Chellaram College, Dinshaw Wacha Road, Churchgate, Mumbai - 400 020	Wednesday, June 18, 2003	3.00 p.m. (IST)

**(ii) Special Resolution passed in the previous three Annual General Meetings**

A Special Resolution was passed in the last Annual General Meeting of the Company held on May 24, 2005, for keeping the register of members, index of members, register & index of debentureholders, records relating to annual returns of allotment from time to time, copies of annual returns etc., at the Office of Karvy Computershare Private Limited, the Registrar and Share Transfer Agents of the Company, situated at #51/2, TKN Complex, Vanivilas Road, Opp. National College, Basavanagudi, Bangalore – 560 004, instead of being kept at the Registered Office of the Company.

**(iii) Postal Ballot**

No Special Resolution has been passed by the Company in the last year through postal ballot. As on date, the Company does not have any proposal to pass any special resolution by way of postal ballot.

**(7) Disclosures**

**(i) Disclosures on materially significant related party transactions**

There were no materially significant related party transactions during the year having potential conflict with the interests of the Company.

**(ii) Details of non-compliance by the Company, penalties and strictures imposed on the Company by the Stock Exchange or SEBI or any statutory authorities or any matter related to capital markets during the last three years**

The Company has complied with all the requirements of the Listing Agreement of the Stock Exchanges as well as regulations and guidelines of SEBI. No penalties have been levied or strictures have been passed by SEBI, Stock Exchanges or any other Statutory Authority on matters relating to capital markets, in the last three years.

However, during the year 2003, the Company had received a show-cause notice from the SEBI regarding uploading of requisite information with the website of SEBI under EDIFAR for which the Company had responded that uploading could not be completed on time due to network / server problem which was purely technical in nature.

**(iii) Whistle Blower Policy and affirmation that no personnel has been denied access to the audit committee**

The Company has not adopted Whistle Blower Policy. However, the Company has not denied access to any personnel to approach the Management on any issue.

**(iv) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause**

The Company has fully complied with the mandatory requirements of Clause 49 of the Listing Agreement of the Stock Exchange. Further, the Company has adopted non-mandatory requirement of clause 49 of the listing agreement, viz., Remuneration Committee of the Board, which has been constituted to determine the remuneration package of the Executive Directors.

**(8) Means of Communication**

**(i) Quarterly Financial Results**

The quarterly / half-yearly / annual financial results are published in The Economic Times (English Daily) and Kannada Prabha (Kannada Daily). The financial results and the official news releases are also placed on the Company's website [www.abb.com/in](http://www.abb.com/in). The Company has a dedicated help desk with email ID: [investor.helpdesk@in.abb.com](mailto:investor.helpdesk@in.abb.com) in the Secretarial Department for providing necessary information to the investors.



(ii) **Official News Releases**

The Company holds press meets / analyst's meets and makes necessary presentation, to apprise and make public the information relating to the Company's working and future outlook.

(9) **General Shareholder Information**

(i) **Annual General Meeting**

Day, Date, Time and Venue:

The Company will be holding 56<sup>th</sup> Annual General Meeting on Friday, May 26, 2006 at 03.00 PM (IST) at ITC Hotel Windsor Sheraton & Towers, "Regency", 25, Golf Course Road, Bangalore-560052

Agenda:

- a) Adoption of Audited Accounts, Directors' & Auditor's Report
- b) Declaration of Dividend
- c) Re-appointment of Directors
- d) Re-appointment of M/s. S R Batliboi and Co., Chartered Accountants, as Auditors
- e) Appointment of Directors
- f) Consent of Members for the appointment of & payment of remuneration to Executive Director
- g) Consent of Members for delisting of equity shares from three stock exchanges

(ii) **Profile of Directors seeking re-appointment / appointment**

The profile of Directors who are seeking re-appointment / appointment at the Annual General Meeting is furnished below:

**Brief resume of Directors and nature of their expertise in functional areas**

**Directorships / Committee Memberships in other companies**

**Shareholding in ABB Limited**

**Mr. Tom Eric Sjoekvist**

Mr. Tom Eric Sjoekvist, aged 58, is an Engineer with a Master's Degree in Business Administration.

He is the Head of the Automation Products (ATAP) Business Area, worldwide and has over 3 decades of experience with ABB.

He has been with the ABB Group since 1972 and has held several key positions in various capacities.

NIL

NIL

**Mr. Nasser Munjee**

**Directorships**

Mr. Nasser Munjee, 53, completed his post graduation in Economics from 'The London School of Economics'. He also studied at The University of Chicago. He began his career in 1978 with 'Housing Development Finance Corporation' (HDFC). In 1997, he joined the Infrastructure Development Finance Company Limited (IDFC) as Deputy Managing Director and later held the position of Managing Director and CEO of the aforesaid company.

- 1) Development Credit Bank Ltd. – Chairman
- 2) Cummins India Ltd.
- 3) Gujarat Ambuja Cements Ltd.
- 4) HDFC Ltd.
- 5) ITD Cementation India Ltd.
- 6) Maharashtra Airport Development Co. Ltd.
- 7) Mahindra & Mahindra Financial Services Ltd.
- 8) Repro India Ltd.
- 9) Securities Trading Corp. of India Ltd.
- 10) South West Port Pvt. Ltd.
- 11) Tata Infotech Ltd.
- 12) Unichem Laboratories Ltd.
- 13) Voltas Ltd.
- 14) AXA Bharti Life Insurance Co. Ltd.

NIL

## Brief resume of Directors and nature of their expertise in functional areas

### Mr. D E Udawadia

Mr. Udawadia, aged 66, has obtained Post Graduate Degree from the University of Mumbai. He holds nearly 45 years of active law practice and has acquired invaluable knowledge, experience and expertise in various matters viz., corporate laws, mergers / acquisitions & takeovers, corporate restructuring, foreign collaboration, joint ventures etc.

Currently, he is the Chairman of AstraZeneca Pharma India Limited and Vice Chairman of Macmillan India Limited. He is also heading a law firm 'Udawadia & Udeshi, which is one of the leading law-firms in Mumbai.

He is also on the boards of several reputed public as well as private companies.

### Mr. Bernhard Jucker

Mr. Bernhard Jucker, aged 51, holds degree in Electrical Engineering from Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland.

He has been with the ABB Group since 1979 and has held several key positions in various capacities. Currently, he is the Executive Vice President and Member of the Group Executive Committee of ABB Limited, Zurich-Switzerland.

## Directorships / Committee Memberships in other companies

### Committee Memberships

#### A) Audit Committee:

- 1) Cummins India Ltd. (Chairman)
- 2) Voltas Ltd.
- 3) Mahindra & Mahindra Financial Services Ltd.
- 4) Tata Infotec Ltd.
- 5) Unichem Laboratories Ltd.

#### B) Compensation / Remuneration Committee :

- 1) Voltas Ltd.
- 2) Gujarat Ambuja Cements Ltd.
- 3) ITD Cementation India Ltd.

### Directorships

- 1) ADF Foods Ltd.
- 2) AstraZeneca Pharma India Ltd. (Chairman)
- 3) Bombay Burmah Trading Corp. Ltd.
- 4) Coromandel Fertilisers Ltd.
- 5) Eureka Forbes Ltd.
- 6) ITD Cementation India Ltd.
- 7) Macmillan India Ltd. (Vice Chairman)
- 8) Mechanalysis (India) Ltd.
- 9) Sundaram-Clayton Ltd.
- 10) Wyeth Ltd.
- 11) Avestha Gengraine Tech. Pvt. Ltd.
- 12) Habasit Lakoka Pvt. Ltd.
- 13) JM Financial & Inv. Consultancy Services Pvt. Ltd.
- 14) JM Morgan Stanley Pvt. Ltd.
- 15) JM Financial Trustee Co. Pvt. Ltd.
- 16) Quantum Advisors Pvt. Ltd.
- 17) VSC International Pte. Ltd.

### Committee Memberships

#### A) Audit Committee:

- 1) AstraZeneca Pharma India Ltd.
- 2) Coromandel Fertilisers Ltd.
- 3) Macmillan India Ltd.
- 4) ITD Cementation India Ltd.
- 5) Sundaram-Clayton Ltd.
- 6) Wyeth Ltd.

#### B) Shareholders Grievance Committee:

- 1) AstraZeneca Pharma India Ltd. (Chairman)

## Shareholding in ABB Limited

300 shares

NIL

NIL

### Brief resume of Directors and nature of their expertise in functional areas

#### Mr. Biplab Majumder

Mr. Biplab Majumder, aged 57, holds Bachelor's Degree in Chemical Engineering from Jadavpur University and also holds Master's Degree in Chemical Technology, from Regional Engineering College, Durgapur.

He has been with the ABB Group since 1978 and has held several key positions in various capacities, including that of Local Division Manager – Automation Technologies Division.

### Directorships / Committee Memberships in other companies

NIL

### Shareholding in ABB Limited

NIL

#### (iii) Financial Year

Indicative calendar of events for the year 2006 (January - December) excluding Extra Ordinary General Meeting(s), if any, is as under:

Fourth Quarter Financial Results (Year 2005)	January 2006
First Quarter Financial Results	April, 2006
Annual General Meeting	May, 2006
Second Quarter Financial Results	July, 2006
Third Quarter Financial Results	October, 2006

#### (iv) Date of Book Closure

The Company's Register of Members and Share Transfer Books will remain closed for the purpose of payment of dividend from May 16, 2006 to May 26, 2006 (both days inclusive).

#### (v) Dividend Payment Date

The dividend, as recommended by the Board of Directors, if declared at the ensuing Annual General Meeting will be paid on or after May 29, 2006, to those shareholders whose names appear on the Company's Register of Members as on May 16, 2006.

#### (vi) Listing on Stock Exchanges

The equity shares of the Company are currently listed at National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Ahmedabad Stock Exchange (ASE), Delhi Stock Exchange (DSE) and Calcutta Stock Exchange (CLSE). The Company has paid till date, appropriate listing fee to all the above stock exchanges where the Company's equity shares are listed.

#### (vii) Stock Code

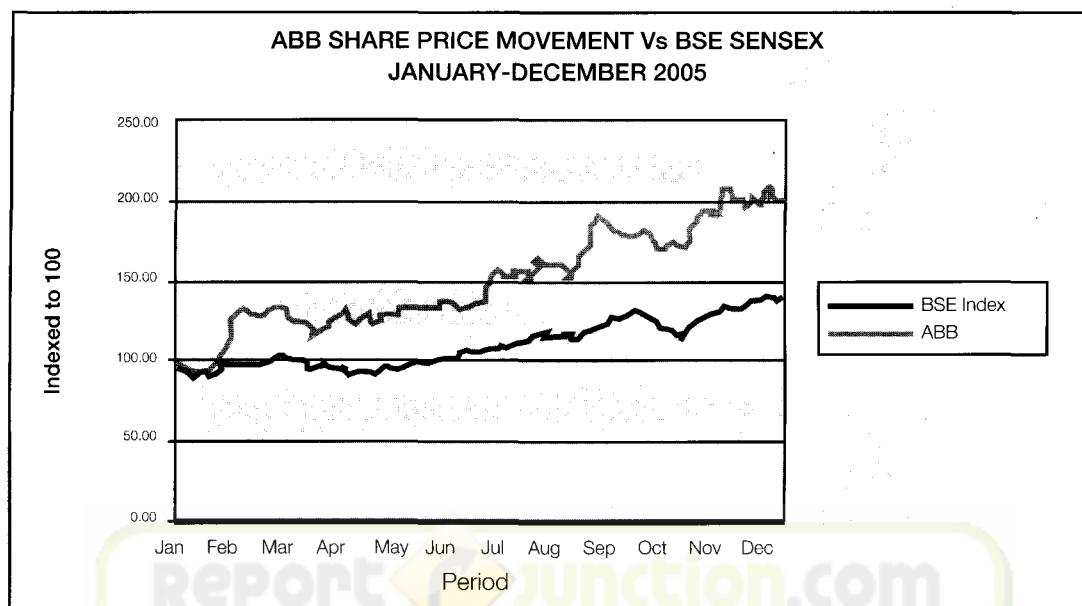
National Stock Exchange	Bombay Stock Exchange	Ahmedabad Stock Exchange	Delhi Stock Exchange	Calcutta Stock Exchange
ABB	500002	24310	01036	11074 (physical) 10011074 (demat)

#### (viii) Market Price Data

The market price data and volume of the Company's shares traded in the Stock Exchange viz., Mumbai and the National Stock Exchange during the year 2005 was as follows:

Year 2005	BSE		NSE		Volume	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)	BSE (Nos.)	NSE (Nos.)
January	989.00	885.00	987.00	862.00	292718	406742
February	1299.00	983.00	1319.90	985.00	658736	1314074
March	1329.00	1085.00	1316.00	1070.00	133866	401408
April	1345.00	1151.25	1349.00	1150.00	147806	567539
May	1339.00	1165.10	1337.95	1170.00	78821	388819
June	1340.00	1260.00	1374.90	1266.10	85975	321817
July	1547.70	1319.00	1549.00	1306.50	268804	957099
August	1599.00	1460.00	1600.00	1460.00	103973	561144
September	1873.00	1596.50	1880.00	1595.00	286040	1056208
October	1787.00	1590.00	1788.00	1572.00	365741	850259
November	2051.00	1640.00	2059.80	1645.15	438386	1602726
December	2019.00	1868.00	2020.00	1869.95	261050	1474693

(ix) Performance in comparison to broad-based indices viz., BSE Sensex



(x) Registrar and Transfer Agents

Karvy Computershare Private Limited,  
(Unit: ABB Limited)  
#51/2, T.K.N. Complex, Vanivilas Road,  
Opp. National College, Basavanagudi, Bangalore 560 004.  
Phone: 080-26621192 Fax : 080-22621169  
Email: kannans@karvy.com

(xi) Share Transfer System

The Company's shares being in compulsory demat list, are transferable through the depository system. However, shares in the physical form are processed by the Registrar & Transfer Agent, and approved by the Share Transfer and Investors' Grievance Committee. In order to expedite the process, the Board of Directors has also delegated the authority to the Vice Chairman & Managing Director (VC&MD) to approve the share transfers and accordingly, the VC&MD approves the transfer / transmission of shares at a frequency of about thrice a month. The share transfer process is reviewed by the said Committee.

(xii) Shareholding Pattern

(Equity Shares of Rs.10 each)

Shareholders	As on 31.12.2005		As on 31.12.2004		Variation	
	No.of shares	%	No.of shares	%	No.of shares	%
ABB Asea Brown Boveri Ltd. Zurich & ABB Norden Holdings AB, Sweden	22084057	52.11	22084057	52.11	0	0.00
Non-Resident Individuals / OCBs	53885	0.13	3758429	8.87	(3704544)	(8.74)
Directors and their relatives	472	0.00	172	0.00	0	0.00
LIC / UTI/ Other Insurance Cos.	5949298	14.04	7041003	16.62	(1091705)	(2.58)
Nationalised Banks / Other Banks	99288	0.23	48203	0.10	51085	0.12
Mutual Funds	1842558	4.35	775191	1.83	1067367	2.52
Foreign Institutional Investors	6849582	16.16	2833329	6.69	4016253	9.48
General Public	5502535	12.98	5841291	13.78	(338456)	(0.80)
<b>Total</b>	<b>42381675</b>	<b>100.00</b>	<b>42381675</b>	<b>100.00</b>	<b>0</b>	<b>0.00</b>

(xiii) **Distribution of Shareholding as on December 31, 2005**

Category	No. of Shareholders	No. of Shares held	%age of equity capital
1 – 5000	32626	2759507	6.51
5001 – 10000	1324	915005	2.16
10001 – 50000	541	996210	2.35
50001 – 100000	38	272609	0.64
100001 and above	124	37438344	88.34
<b>Total</b>	<b>34653</b>	<b>42381675</b>	<b>100.00</b>

(xiv) **Dematerialisation of Shares and liquidity**

The equity shares of the Company are available under dematerialised form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd., (CDSL). The Company's equity shares are compulsorily traded in the dematerialized form. The Code No. allotted by NSDL and CDSL to your Company is ISIN: INE 117A01014.

As on December 31, 2005, 19,818,770 equity shares of the Company have been dematerialised representing 46.76 % of the total shares. (19,527,552 equity shares were in dematerialised form representing 46.09 % of the total shares as on December 31, 2004).

(xv) **Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, conversion date and likely impact on equity**

There are no GDR, ADR or any Convertible Instruments pending conversion or any other instrument likely to impact the equity share capital of the Company.

(xvi) **Code of Conduct**

The Company has in place a Code of Conduct applicable to the Board Members as well as the Senior Management and that the same has been hosted on the Company's website. All the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct, as on December 31, 2005.

(xvii) **Plant Locations**

The Company's plants are located at Bangalore, Faridabad, Mumbai, Nashik and Vadodara.

(xviii) **Address for Correspondence**

ABB Limited  
2nd Floor, East Wing, Khanija Bhavan,  
No. 49, Race Course Road,  
Bangalore 560 001.  
Phone: 080-22949150 to 22949154 Fax : 080-22949148  
Corporate Secretarial E-mail ID: investor.helpdesk@in.abb.com  
Corporate Website: www.abb.com/in

(xix) **Non-Mandatory Requirements**

The Company has a Remuneration Committee of the Board to determine the remuneration package for the Executive Directors.

For and on behalf of  
the Board

Mumbai  
January 24, 2006

Dinesh Paliwal  
Chairman



# Annexure - D to Directors' Report

Practising Company Secretary's Certificate - Compliance of conditions of corporate governance per clause 49 of the Listing Agreement with the stock Exchange

To  
**The Members of ABB Limited**

We have examined all relevant records of ABB Limited (the Company) for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with National Stock Exchange (NSE), Mumbai Stock Exchange (BSE), Ahmedabad Stock Exchange (ASE), Delhi Stock Exchange (DSE) and Calcutta Stock Exchange (CLSE), for the financial year ended 31.12.2005. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of certification.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedure and implementation thereof. This certificate is neither an assurance as to the future viability of the Company nor the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our examination of the records produced, explanations and information furnished, we certify that the Company has complied with :

- (a) all the mandatory conditions of the said Clause 49 of the Listing Agreement.
- (b) the following non-mandatory requirement of the said Clause 49 - Constitution of Remuneration Committee



For D.R.SHRESSHA & ASSOCIATES  
Company Secretaries

D.R.Shressha  
Practising Company Secretary  
Membership No. FCS-2759  
Certificate of Practice No. 6119

Bangalore  
January 24, 2006

# Management Discussion and Analysis

## Operating Results of the Company

During the year 2005, the Company secured orders worth Rs 37,645 million, 45 per cent higher than the previous year's orders of Rs 25,878 million. The core business segments of the Company i.e. Power Technologies and Automation Technologies, both posted significant growth during the year, supported by continued power sector reforms and increased momentum in the industrial sector. The product business grew substantially and the company added capacity across locations. While maximising domestic market presence, the company's export performance was also encouraging. As a result of healthy order intake, the company's order backlog was further augmented by 57 per cent to Rs 21,032 million as compared to Rs 13,356 million at the beginning of the year.

The Company posted a strong top-line performance with revenues of Rs 30,141 million for the year, registering a growth of 31 per cent over the previous year. The Company's strategic initiatives aimed at market penetration and range expansion continued to yield results, both in terms of existing businesses as well as enhanced contribution of new revenue streams.

Profit before tax and exceptional items was Rs 3,395 million as compared to Rs 2,365 million the previous year. Volume growth, operational efficiencies and higher financial income resulted in this healthy profit improvement.

Net profit after tax at Rs 2,187 million for the year was 42 per cent higher than last year. Earnings per equity share (face value Rs 10) was also significantly higher at Rs 51.60 compared to Rs 36.41 in the previous year.

The Company carried out significant expansion of manufacturing capacities and continued to expand its range of offering, introducing several new products during the year. In addition to capacity and range expansion, the Company also upgraded and modernised many of its manufacturing and office facilities in order to enhance efficiency and productivity.

## Outlook for the Company

With India's economic growth gathering pace, increased focus on power sector investments for generation, transmission and distribution and resurgence of several core industrial sectors, the domestic market presents several opportunities. The Company is well positioned to further strengthen its leadership position in most of the power and automation businesses it represents. Moreover, the Group remains committed to increasingly leverage the Indian operations for projects, products and services within the region and globally. In line with this strategy, the Company will continue to grow its core businesses, expand its portfolio and augment manufacturing and engineering capacities as required. The Company remains steadfast in its objective to pursue the path of profitable and sustainable growth, maximising operational efficiencies and striving to attain the highest standards of quality and productivity. The overall outlook for the Company continues to be positive and the Management remains optimistic with regards to continued growth.

## Business Segment Analysis

ABB is a global leader in power and automation technologies that enable utility and industry customers to improve performance while lowering environmental impact. The Company's portfolio includes products, systems and service solutions offered through its two core segments i.e. Power Technologies Segment (PT) and Automation Technologies Segment (AT). The distribution of revenues is as under.

	2005	2004
Power Technologies	62 %	60 %
Automation Technologies	38 %	40 %

## Power Technologies Segment (PT)

The summarised performance of the segment is as under.

	(Rs in Millions)	
	2005	2004
Orders Received	23,916	17,119
Order Backlog	15,503	10,523
Revenues	18,762	14,008
Result	1,943	1,377

The year 2005 saw continued buoyancy in the market for Power systems and products. Government focus on power capacity addition, improved grid reliability and efficiency, reduction of transmission and distribution losses, augmentation of national grid and rural electrification continues to support the Company's growth in the power technologies segment during the year. Investments in the power distribution sector continued, boosting the demand for medium voltage and distribution automation products, distribution transformers etc. HV products and power transformers also saw increased demand as substation activity picked up, across states.

Orders received by this segment grew by 40 per cent and revenues were higher by 34 per cent. The National Electricity Policy focuses on reliable, affordable and quality power for all by the year 2012. In 2005, the central Government also launched the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) for building the rural power infrastructure.

Some significant orders received during the year included an APDRP project from JVVNL for a feeder renovation program ; from PWNL / MVNL for RGGVY projects and from BESCOM for Rural Load Management System. The segment also received orders for transmission and distribution substations from PGCIL to deliver turnkey solutions for 400 kV substations. NTPC placed orders on the Company for up-gradation of control and instrumentation at their Farakka, Singrauli and Vindhyachal thermal power stations and Enercon placed orders for wind farm distribution substations. Several significant power product orders were also received during the year including an order for revamping of 12 Nos. 33 kV substations from UPPCL and from NTPC for the Bahr Super Thermal Power Station for 11 kV and 3.3 kV indoor switchgear.

Major projects executed during the year, included 400 kV substations at Vapi, Boisar, Narendra and Rihand for PGCIL as well as APDRP projects of Bescom and Hescom. The Company also supplied a state-of-the-art substation automation system based on REX 670 platform with IEC 61850 protocol for two 400 kV substations of PGCIL. – a global first for ABB. During the year, the 500 MW back-to-back HVDC Vizag project for PGCIL was successfully commissioned. Electrification and control systems, including a SCADA solution was provided for the recently inaugurated Delhi Metro's prestigious extension project covering 23 KM section between Barakhamba to Dwarka. The first 400 kV/220 kV, 315 MVA auto-transformer was also commissioned, in Andhra Pradesh.

A new power transformers insulation kit manufacturing facility was commissioned in Halol, Gujarat, during the year. A new manufacturing facility was also established for Ring Main Units to help meet growing market needs. Several new products like auto-reclosers; air break switches and pole mounted capacitor switches were also launched during the year. Manufacturing capacities were enhanced for several power technology products, to meet rising demand.

During the year, the Power Technologies R&D centre participated in several global product development projects. This centre has been given lead responsibility for development of a specified range of distribution automation relays.

Despite favourable market conditions and price levels, profitability remained under pressure due to continuous increase in prices of input materials and active competition. Some domestic competitors are extending their reach and entering new areas as well as augmenting their manufacturing and engineering capabilities.

To strengthen its domestic position and strengthen its international presence, several strategic initiatives are underway. This includes strengthening of project execution and management processes, power plant solutions offering, augmentation of manufacturing capacities and range expansion as well as a continued focus on operational excellence and cost base optimization.

#### Automation Technologies Segment (AT)

The summarised performance of the segment is as under:

	(Rs in Millions)	
	2005	2004
Orders Received	14,297	8,932
Order Backlog	5,508	2,903
Revenues	11,655	9,205
Result	1,387	957

During the year, industrial climate in India remained buoyant with strong growth across many core sectors coupled with investments in infrastructure projects. Active sectors included ferrous & non-ferrous metals, pulp and paper, oil, gas & petrochemicals, pharmaceuticals etc. A positive market environment coupled with a strategic thrust on range expansion and market penetration helped the Company achieve significant growth of 60 per cent in orders and 27 per cent in revenues, as compared with the previous year.

Major orders received during the year included an order for the newly launched 800 XA system from Reliance Industries; for refining applications from Essar; a blast furnace automation solution in Nigeria for Ispat group; supply of electrics and automation solutions for a compact cold mill from the Jindal group; 2 X 90 KA rectifier order from Hindalco and MV drives for Kirloskar Brothers for a large water project.

Execution and commissioning of large projects during the year included a TISCO rebar mill; 17 km long belt conveyer for Lafarge Cement, Bangladesh; automation system on foundation field bus technology for Reliance Industries' Patalganga plant.

In line with the Company's strategic thrust on market penetration and range expansion, during the year revenues from standard products grew by over 50 per cent and significantly contributed to profitability of the segment. Major capacity expansion projects under execution include motors, low voltage products as well as distribution electricals and electrical wiring accessories. Product range expansion during the year included ACS 550 drives, 'A' range Contactors and the AC 50 PLC among others.

The channel partner network was further expanded to over 530 during the year and 'e'-initiatives continued to yield good results. A Channel Business team has been put in place to provide dedicated focus to the Company's fast growing channel business.

A global automation operations and engineering centre was also established during the year in Bangalore to provide engineering and systems support to ABB Group operations across the world.

Increasing per capita consumption of steel, non-ferrous metals, paper and several other basic commodities, building activity and infrastructure development, global aspirations, increased focus on quality, productivity, efficiency and aesthetics are some of the factors that call for increased leveraging of automation technologies and auger well for the Company's process automation as well as products business i.e. HV machines, LV motors, drives, LV switchgear & control-gear, instrumentation and analytics etc.

In addition to its continued focus on turnkey automation solutions for the growing domestic industrial sector, the segment plans to continue with its product and service thrust with ongoing initiatives for market penetration, capacity and range expansion, product indigenisation, focus on operational excellence. Domestic growth will also be supported by increased focus on regional and global contribution. The Company continues to remain customer focused to sustain its competitive advantage through constant innovation and technology development.

The overall outlook for the segment is positive and the Company is optimistic on continued growth.

### **Building System**

Building system business providing integrated building management solutions covering lighting, networking, heating, ventilation, air conditioning, electrical installations, energy management, fire alarm, protection system and other building facilities and solutions to various customers across the sectors, included under PT and AT segments, performed extremely well during the year. Significant activities were seen in the areas of shopping malls, multiplexes, IT & biotech parks, pharma, health care, corporate buildings, etc. Major orders received during the year includes from Wipro Technologies, Maruti Udyog, DMRC and South City. Several new customers were added during the year. Significant technology developments included installation of thermal energy storage and heat recovery system resulting in energy savings for customers. Expected foreign direct investment in real estate, growth in air traffic and retail sectors will see further investments taking in the building sector.

### **Finance**

The Company continued to focus on optimising its working capital, which resulted in a further improvement in the cash position. Net cash position (cash and bank balances less loan fund) at the end of the year had significantly increased to Rs 4,036 million compared to Rs 2,144 million at the end of the previous year, after adjusting for effect of factorisation arrangement in the previous year. Surplus funds, not committed to operations, were deployed in Government securities, tax-free bonds and short term fixed deposits with reputed banks, ensuring security and liquidity. The expenditure of Rs 903 million, on fixed assets, during the year was fully financed from internal accruals. Net financial income during the year was Rs 166 million (previous year Rs 143 million) including income from certain interest arbitrage actions. Foreign exchange management, obtaining of guarantees from banks and certain payment disbursements processes were optimised and automated in collaboration with Company's bankers.

### **Human Resources**

Given the growth of the Company and the buoyancy in the Indian economy, the primary focus of the human resource function was to recruit, develop, augment and retain human talent through speedy identification, filtering and recruitment processes. Innovative and highly effective methods like web based and 'e-campus' recruitment, job fairs etc. were deployed to attract engineers from premier institutes and other functional specialists. In addition to an increased intake of young talent, lateral intake also rose significantly. Around 1,000 employees were recruited during the year.

The work culture and the value system in the Company has been designed to provide each employee the adequate space, freedom and the guidance to bring out their full potential and provide personal growth opportunities within the organisation. Building of management skills and leadership capabilities, training and development programmes as well as succession plans at all levels were other key human resource focus areas. As in the past, industrial relations continued to remain cordial at all the locations of the Company. The Company had 4,052 employees at the end of 2005.

### **Internal Control Systems**

The Company has put in place effective systems of internal control ensuring accurate, reliable and speedy compilation of financial information, safeguarding the assets and interests of the Company and ensuring compliance with laws and regulations.

The Company has an exhaustive budgetary control system and the management regularly reviews actual performance. The Company has also put in place a well-defined organisation structure, clear authority levels and internal guidelines for conducting business transactions. The Company has an internal audit

department that conducts regular audits to ensure adequacy of the control system, adherence to management instructions and legal compliance.

The Audit committee of the Board of Directors periodically reviews audit plans, observations and recommendations of the internal and external auditors with reference to significant risk areas and adequacy of internal controls.

During the year, new design efficient procedures, were prepared to meet the standards expected as per Section 404 of the Sarbanes Oxley Act, 2002. These new procedures were further reviewed by external consultants to ensure their efficacy in mitigating control related risks. All control deficiencies identified in the beginning of the year were remedied by the year-end. During August 2005, these new mandatory procedures were rolled out across the Company for adoption. It is planned to periodically test and take further actions as required to ensure the efficient operation of these controls. This is expected to significantly enhance the internal control environment in the Company.

During the year several processes were automated to enhance efficiency and improve internal controls. Some of these include automatic bill booking, material entry and dispatch monitoring, web based purchase requisition and PO release system, bar coding of tangible fixed assets and inventories to support movement control and periodical physical verification, forward exchange contract booking, valuation and monitoring system etc. Role based authorisation system and segregation of duties was also automated and further strengthened.





# CEO & CFO Certification

To  
The Board of Directors  
ABB Limited

We, to the best of our knowledge and belief, certify that;

1. We have reviewed the financial statements and cash flow statement for the year ended 31 December, 2005 and that of the best of our knowledge and belief;
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violating the company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls over financial reporting and we have evaluated the effectiveness of internal control systems of the company over financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls over financial reporting, if any, of which we are aware and the steps we have taken, propose to take to rectify these deficiencies. In our opinion, there are adequate internal controls over financial reporting.
4. We have indicated to the auditors and the audit committee;
  - (i) significant changes in internal controls over financial reporting during the year;
  - (ii) significant changes in accounting policies during the year, as disclosed in Note 2.2 of Schedule 17 – Notes to Accounts; and
  - (iii) instances of significant fraud of which we have become aware and the involvement there in, if any, of the management or an employee having a significant role in the company's internal control system on financial reporting. To our knowledge and belief, there were no frauds during the year.

Mumbai  
January 24, 2006

Ravi Uppal  
Chief Executive Officer  
Vice Chairman & Managing Director

K Rajagopal  
Chief Financial Officer  
Sr. Vice President - Finance

# Auditors' Report To The Members of ABB Limited

1. We have audited the attached balance sheet of ABB Limited as at December 31, 2005 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v. On the basis of the written representations received from the directors, as on December 31, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a) in the case of the balance sheet, of the state of affairs of the Company as at December 31, 2005;
    - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
    - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & COMPANY  
Chartered Accountants

per Sunil Bhumralkar  
Partner  
Membership No. : 35141

Mumbai, India  
January 24, 2006

## Annexure referred to in paragraph 3 of our report of even date

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were physically verified by the management during the year and we are informed that no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year. In respect of stocks lying with the third parties, confirmation for most of the stocks has been received.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) As informed to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) As informed to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) According to the information and explanations given to us, there are no transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) According to the records of the Company, the Company is regular in depositing undisputed statutory dues including investor education and protection fund, sales-tax, employees' state insurance, excise duty, wealth-tax and customs duty with the appropriate authorities. Undisputed statutory dues including provident fund, service tax, income-tax and cess have generally been regularly deposited with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount * (Rs in Thousands)	Period to which the amount relates	Forum where dispute is pending
Excise Act	Freight charges for valuation	92	1997-98	Central Excise and Service Tax Appellate Tribunal
	Product Classification	5,791	1996-00	
Sales Tax Act	Works contract tax charged	34,382	1992-97	Sales Tax Appellate Tribunal
		3,687	1998-02	Deputy Commissioner (Appeal)
	Submission of Statutory Forms	159,924	1993-02	Appellate Assistant Commissioner
		41,497	1999-04	Additional Commissioner (Appeal)
		900	1994-95	High Court
		2,777	2001-02	State Appellate Tribunal
		6,416	2000-03	Joint Excise & Taxation Commissioner (Appeal)
		46,474	1995-02	Appellate Assistant Commissioner
Faridabad Development Act [Octroi]	Product classification	30,400	1986-94	High Court
Income Tax	Tax on Income	146,976	2001-02	Commissioner of Income Tax (Appeal)

\* - Net of Rs 77,882 thousand, paid under protest

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. BATLIBOI & COMPANY  
Chartered Accountants

per Sunil Bhumraikar  
Partner  
Membership No. : 35141

Mumbai, India  
January 24, 2006



# Balance Sheet

(Rs in Thousands)

As at 31 December 2005

Schedule

2005

2004

## Sources of Funds

### Shareholders' Funds

Share Capital

1

423,817

423,817

Reserves and Surplus

2

8,617,462

6,822,800

9,041,279

7,246,617

### Loan Funds

Finance Lease Obligations

17(10)

26,957

14,312

Unsecured Loans

3

310

620

27,267

14,932

Deferred Tax Liability (net)

17 (12)

84,271

132,271

9,152,817

7,393,820

## Application of Funds

### Fixed Assets

4

Gross Block

4,141,636

3,580,288

Less: Depreciation

1,875,025

1,680,241

Net Block

2,266,611

1,900,047

Capital Work in Progress including Capital Advances

384,239

49,296

2,650,850

1,949,343

### Investments

5

871,503

1,069,669

### Current Assets, Loans and Advances

Inventories

6

2,015,803

1,682,855

Sundry Debtors

7

10,292,566

6,263,322

Cash and Bank Balances

8

4,009,654

4,167,509

Loans and Advances

9

1,274,843

1,063,106

Other Current Assets

10

2,278,328

887,033

19,871,194

14,063,825

### Less: Current Liabilities and Provisions

Liabilities

11

13,728,741

9,279,280

Provisions

12

511,989

409,737

14,240,730

9,689,017

### Net Current Assets

5,630,464

4,374,808

9,152,817

7,393,820

### Notes to Accounts

17

The Schedules referred to above form an integral part of the accounts

As per our report of even date

For S. R. Batliboi & Company

Chartered Accountants

per Sunil Bhumralkar

Partner

Membership No. 35141

Mumbai, 24 January, 2006

For and on behalf of the Board

Dinesh Paliwal

Ravi Uppal

Biplab Majumder

Nasser Munjee

N S Raghavan

D E Udawadia

K Sridhar

K Rajagopal

B Gururaj

Mumbai, 24 January, 2006

Chairman

Vice Chairman & Managing Director

Executive Director

Director

Director

Director

Director

Sr. Vice President - Finance

Company Secretary

# Profit and Loss Account

For the year ended 31 December 2005	Schedule	(Rs in Thousands)	2005	2004
<b>Income</b>				
Sales and Services		31,999,328		24,457,977
Less : Excise Duty		<u>2,368,802</u>		<u>1,855,751</u>
Sales and Services (Net)	13		29,630,526	22,602,226
Other Income	14		<u>510,857</u>	<u>453,490</u>
			<u>30,141,383</u>	<u>23,055,716</u>
<b>Expenditure</b>				
Cost of Materials and Erection Services		21,311,378		16,547,289
Personnel Expenses	15	<u>1,783,830</u>		<u>1,360,500</u>
Other Expenses	16	<u>3,353,601</u>		<u>2,565,647</u>
Depreciation/ Amortisation		234,073		206,263
Less: Transfer from Revaluation Reserve		<u>2,666</u>		<u>2,666</u>
		231,407		203,597
Interest Expenses		<u>66,397</u>		<u>13,483</u>
			<u>26,746,613</u>	<u>20,690,516</u>
<b>Profit Before Tax and Exceptional Item</b>			<u>3,394,770</u>	<u>2,365,200</u>
Exceptional Item - Profit on Sale of Undertaking	17(3)		-	37,991
<b>Profit Before Tax</b>			<u>3,394,770</u>	<u>2,403,191</u>
Provision for Tax:				
Current Tax			1,204,000	874,000
Deferred Tax			(48,000)	(14,000)
Fringe Benefits Tax			<u>52,000</u>	<u>-</u>
<b>Profit After Tax</b>			<u>2,186,770</u>	<u>1,543,191</u>
Less: Transfer to Foreign Projects Reserve Account			-	4,000
Add: Balance Brought Forward			<u>302,122</u>	<u>278,374</u>
<b>Profit available for appropriation</b>			<u>2,488,892</u>	<u>1,817,565</u>
<b>Appropriations</b>				
General Reserve			1,750,000	1,180,000
Proposed Dividend			339,053	296,672
Corporate Dividend Tax			47,552	38,771
Corporate Dividend Tax - 2004			2,837	-
Balance Carried Forward			<u>349,450</u>	<u>302,122</u>
			<u>2,488,892</u>	<u>1,817,565</u>
<b>Basic and Diluted Earnings per Equity Share (in Rs)</b>	17(4)		<b>51.60</b>	36.41
(Face value Rs 10 per share)				
<b>Basic and Diluted Earnings per Equity Share excluding</b>				
<b>Exceptional Item (in Rs)</b>	17(4)		<b>51.60</b>	35.52
(Face value Rs 10 per share)				
Notes to Accounts	17			

The Schedules referred to above form an integral part of the accounts

As per our report of even date  
For S. R. Battliboi & Company  
Chartered Accountants

per Sunil Bhumralkar  
Partner  
Membership No. 35141

Mumbai, 24 January, 2006

For and on behalf of the Board

Dinesh Paliwal  
Ravi Uppal  
Biplab Majumder  
Nasser Munjee  
N S Raghavan  
D E Udawadia  
K Sridhar  
K Rajagopal  
B Gururaj  
Mumbai, 24 January, 2006

Chairman  
Vice Chairman & Managing Director  
Executive Director  
Director  
Director  
Director  
Director  
Sr. Vice President - Finance  
Company Secretary

		(Rs in Thousands)	
As at 31 December 2005		2005	2004
<b>Schedule 1 - Share Capital</b>			
<b>Authorised</b>			
42,500,000	Equity Shares of Rs 10 each	425,000	425,000
750,000	11% Redeemable 10 year, Cumulative Preference Shares of Rs 100 each	75,000	75,000
		<u>500,000</u>	<u>500,000</u>
<b>Issued, Subscribed and Paid Up</b>			
42,381,675	Equity Shares of Rs 10 each	<u>423,817</u>	<u>423,817</u>

**Notes:**

Share Capital includes:

- 9,237,105 equity shares of Rs 10 each allotted as fully paid up at par, pursuant to contracts for consideration other than cash.
- 200,000 equity shares of Rs 10 each issued at a premium of Rs 10 each to the holders of 40,000 - 8.57% cumulative preference shares of Rs 100 each on cancellation of the preference shares in terms of a Scheme of Compromise between the Company and its preference/equity shareholders in 1988.
- 8,443,893 and 10,354,589 equity shares of Rs 10 each issued as fully paid up bonus shares by capitalisation of the General Reserve Account and Securities Premium Account respectively.
- 19,575,991 equity shares are held by ABB Asea Brown Boveri Limited, Zurich, Switzerland, the ultimate holding company and 2,508,066 equity shares are held by ABB Norden Holdings AB, Sweden (Previous Year - ABB Technology FLB AB, Sweden), a subsidiary of the ultimate holding Company.

		(Rs in Thousands)	
As at 31 December 2005		2005	2004
<b>Schedule 2 - Reserves and Surplus</b>			
<b>Capital Reserve Account</b>		<b>10,971</b>	10,971
<b>Capital Redemption Reserve Account</b>		<b>75,000</b>	75,000
<b>Revaluation Reserve Account</b>			
As per last Balance Sheet	153,414		156,080
Transferred to Profit and Loss Account	(2,666)		(2,666)
		<b>150,748</b>	153,414
<b>Securities Premium Account</b>		<b>593,990</b>	593,990
<b>Foreign Projects Reserve Account</b>			
As per last Balance Sheet	79,400		78,400
Transferred from Profit and Loss Account	-		4,000
Transferred to General Reserve Account	(66,900)		(3,000)
		<b>12,500</b>	79,400
<b>General Reserve Account</b>			
As per last Balance Sheet	5,607,903		4,424,903
Transferred from Foreign Projects Reserve Account	66,900		3,000
Transferred from Profit and Loss Account	1,750,000		1,180,000
		<b>7,424,803</b>	5,607,903
<b>Profit and Loss Account</b>			
Balance Carried Forward		<b>349,450</b>	302,122
		<b>8,617,462</b>	6,822,800

### Schedule 3 - Unsecured Loans

Sales tax deferral loans			
(Due within one year Rs 310 thousand -			
Previous Year Rs 310 thousand)		<b>310</b>	620



As at 31 December 2005

(Rs in Thousands)

## Schedule 4 - Fixed Assets

Description	Gross Block				Depreciation/ Amortisation				Net Block	
	As at 1 January 2005	Additions	Deductions	As at 31 December 2005	As at 1 January 2005	For the Year	Deductions	As at 31 December 2005	As at 31 December 2005	As at 31 December 2004
<b>A. Tangible Assets</b>										
<b>1. Own Assets</b>										
Freehold Land	137,515	-	-	137,515	-	-	-	-	137,515	137,515
Leasehold Land	2,006	7,820	-	9,826	200	7	-	207	9,619	1,806
Leasehold Improvements	63,997	-	-	63,997	18,386	11,819	-	30,205	33,792	45,611
Factory Buildings	374,719	89,783	407	464,095	123,041	12,820	322	135,539	328,556	251,678
Other Buildings	88,007	15,101	-	103,108	17,910	1,482	-	19,392	83,716	70,097
Residential Quarters	14,390	-	-	14,390	4,235	255	-	4,490	9,900	10,155
Plant and Machinery	2,257,892	365,595	30,264	2,593,223	1,119,960	148,047	21,601	1,246,406	1,346,817	1,137,932
Furniture and Fixtures	153,579	40,952	3,228	191,303	63,492	9,059	3,127	69,424	121,879	90,087
Vehicles	7,746	3,178	-	10,924	5,543	537	-	6,080	4,844	2,203
	<u>3,099,851</u>	<u>522,429</u>	<u>33,899</u>	<u>3,588,381</u>	<u>1,352,767</u>	<u>184,026</u>	<u>25,050</u>	<u>1,511,743</u>	<u>2,076,638</u>	<u>1,747,084</u>
<b>2. Leased Assets</b>										
Plant and Machinery	58,019	25,122	-	83,141	29,631	11,640	-	41,271	41,870	28,388
Vehicles	16,154	-	2,673	13,481	2,533	1,394	769	3,158	10,323	13,621
	<u>74,173</u>	<u>25,122</u>	<u>2,673</u>	<u>96,622</u>	<u>32,164</u>	<u>13,034</u>	<u>769</u>	<u>44,429</u>	<u>52,193</u>	<u>42,009</u>
Total Tangible assets	<u>3,174,024</u>	<u>547,551</u>	<u>36,572</u>	<u>3,685,003</u>	<u>1,384,931</u>	<u>197,060</u>	<u>25,819</u>	<u>1,556,172</u>	<u>2,128,831</u>	<u>1,789,093</u>
<b>B. Intangible Assets</b>										
Technical Know-how Fees	293,788	44,062	13,183	324,667	216,910	25,668	13,183	229,395	95,272	76,878
Capitalised Software	112,476	19,817	327	131,966	78,400	11,345	287	89,458	42,508	34,076
Total Intangible assets	<u>406,264</u>	<u>63,879</u>	<u>13,510</u>	<u>456,633</u>	<u>295,310</u>	<u>37,013</u>	<u>13,470</u>	<u>318,853</u>	<u>137,780</u>	<u>110,954</u>
	<u>3,580,288</u>	<u>611,430</u>	<u>50,082</u>	<u>4,141,636</u>	<u>1,680,241</u>	<u>234,073</u>	<u>39,289</u>	<u>1,875,025</u>	<u>2,266,611</u>	<u>1,900,047</u>
Previous Year	<u>3,136,554</u>	<u>558,150</u>	<u>114,416</u>	<u>3,580,288</u>	<u>1,539,211</u>	<u>206,263</u>	<u>65,233</u>	<u>1,680,241</u>		
Capital Work in Progress including Capital Advances									<u>384,239</u>	<u>49,296</u>
<b>Grand Total</b>									<u>2,650,850</u>	<u>1,949,343</u>

## Notes :

1. Certain freehold and leasehold land, factory and other buildings and residential quarters were revalued during 1985, 1986 and 1996 respectively.
2. Residential Quarters include cost of shares in Lotus Court Private Limited Rs 56 thousand.
3. Previous year figures of Deductions in Gross Block and Depreciation include Rs 47,039 thousand and Rs 18,067 thousand respectively on account of sale of Control Valves business.

As at 31 December 2005

(Rs in Thousands)

**Schedule 5 - Investments**

**2005**

**2004**

**Long Term (At Cost) :**

**Trade :-**

Quoted :

280,500 Equity Shares of Rs 10 each fully paid up in Integra Hindustan Control Limited

**2,805**

2,805

**Non Trade :-**

**Government Securities -**

Quoted:

6.25% Government of India Bonds

**159,600**

159,600

Unquoted:

12 Year National Savings Certificates

**6**

6

12 Year National Defence Certificates

**2**

2

**159,608**

159,608

**Others -**

Quoted :

551,748 6.75% Tax Free US64 Bonds of Rs 100 each fully paid up in Unit Trust of India

**60,335**

60,335

2,000,000 5.25% 10 Year Tax Free Nuclear Power Corporation Limited Infrastructure Bond of Rs 100 each fully paid up

**200,000**

200,000

429,461 (Previous Year Nil) 6.60% Tax Free Bonds 2009 of Rs 100 each fully paid up in Unit Trust of India

**44,728**

-

**305,063**

260,335

Unquoted :

8.7% 5 Year Cumulative Non-Convertible Redeemable Bonds of Rural Electrification Corporation Limited

**-**

52,894

5.5% National Housing Bank - Capital Gains Bonds

**210,000**

210,000

5.5% Small Industries Development Bank of India

- Capital Gains Bonds

**100,000**

100,000

7.85% / 7.10% 5 Year Non- Cumulative Non-Convertible Redeemable Bonds of Rural Electrification Corporation Limited

**15,000**

215,000

5.15% 5 Year Non- Cumulative Non- Convertible Redeemable Bonds of Rural Electrification Corporation Limited

**69,000**

69,000

5.95% 15 Year Non- Cumulative Bonds of Karnataka Water & Sanitation Pooled Fund Trust

**10,000**

-

1,000 Shares of Rs 25 each fully paid up in

Co-operative Bank of Baroda

**25**

25

6.5% Non-Redeemable Debentures of Bengal

Chamber of Commerce and Industry

**2**

2

**404,027**

646,921

**871,503**

1,069,669

**Notes :**

Quoted Investments aggregate

**467,468**

422,740

(Market value - Rs 527,169 thousand;

Previous Year - Rs 415,050 thousand)

Unquoted Investments aggregate

**404,035**

646,929

As at 31 December 2005

(Rs in Thousands)

2005

2004

**Schedule 6 - Inventories**

Stores and Spares	5,845	4,838
Raw Materials	40,780	42,537
Components	1,181,997	873,903
Goods in Transit - Components	93,287	145,662
Finished Goods	143,258	93,194
Work-in-progress	550,636	522,721
	<u>2,015,803</u>	<u>1,682,855</u>

**Schedule 7 - Sundry Debtors**

Unsecured :

Debts outstanding for a period exceeding six months

- Considered Good	2,428,374	2,130,538
- Considered Doubtful	386,681	276,856

2,815,055 2,407,394

Other Debts - Considered Good

7,864,192 4,132,784

10,679,247 6,540,178

Less: Provision for Doubtful Debts

386,681 276,856

10,292,566 6,263,322

**Schedule 8 - Cash and Bank Balances**

Cash and Cheques on hand	3,047	3,390
Balances with Scheduled Banks		
- On Current Account	1,995,193	1,158,095
- On Deposit Account	2,000,728	3,001,241
- On Margin Account	-	112
	<u>3,995,921</u>	<u>4,159,448</u>
With Non Scheduled Banks - on Current Account	10,686	4,671
	<u>4,009,654</u>	<u>4,167,509</u>

Current Accounts with Non Scheduled Banks include

	As at 31 December 2005	As at 31 December 2004	Maximum amount outstanding at any time during the year	Maximum amount outstanding at any time during the previous year
a) Hongkong & Shanghai Banking Corporation Ltd., Sri Lanka.	1,251	1,234	1,519	2,076
b) Hongkong & Shanghai Banking Corporation Ltd., Bangladesh	9,435	3,437	9,808	3,977

As at 31 December 2005

(Rs in Thousands)

2005

2004

#### Schedule 9 - Loans and Advances

Unsecured :

Loans, Considered Good

14,142

14,109

Advances recoverable in cash or in kind or for value to be received:

- Considered Good

1,022,225

855,580

- Considered Doubtful

37,082

12,138

1,059,307

867,718

Less: Provision for Doubtful Advances

37,082

12,138

1,022,225

855,580

Advance Tax (net of provision)

195,760

171,213

Balances with Customs, Port Trusts and Excise authorities

42,716

22,204

1,274,843

1,063,106

#### Schedule 10 - Other Current Assets

Contract Revenue in Excess of Billing

2,151,246

834,991

Interest Accrued on Investments and Fixed Deposits

127,082

52,042

2,278,328

887,033

#### Schedule 11 - Liabilities

Acceptances

2,886,096

2,262,862

Sundry Creditors

- Due to Small Scale Industrial Undertakings

333,108

153,095

- Others

7,819,125

5,391,116

8,152,233

5,544,211

Advance Payments from Customers

2,266,525

1,105,226

Billing in Excess of Contract Revenue

417,372

360,835

Investor Protection and Education Fund shall be credited for unclaimed dividends amount when due

6,515

6,146

13,728,741

9,279,280

#### Schedule 12 - Provisions

Proposed Dividend

339,053

296,672

Corporate Dividend Tax

47,552

38,771

Fringe Benefits Tax (net of advance tax)

20,000

-

Leave Encashment

105,384

74,294

511,989

409,737



For the year ended 31 December 2005

**Schedule 13 - Capacities, Production, Stock and Turnover** (Refer Note 13 of Schedule 17)

(Figures in brackets are in respect of previous year)

Class of goods	Annual Capacities		Opening Stock of Finished Goods		Production of Finished Goods	Closing Stock of Finished Goods		Turnover of Finished Goods	
	Quant. Denom.	Installed	Quantity	Rupees in Thousands	Quantity	Quantity	Rupees in Thousands	Quantity	Rupees in Thousands
Motors and Other Machines	HP	1,464,945	31,936	34,216	1,322,348	46,480	35,590	1,264,720	1,377,710
		(1,325,000)	(56,339)	(52,106)	(1,093,152)	(31,936)	(34,216)	(1,095,205)	(995,813)
Switchgear of all types	Nos.	4,174,000	66,956	22,042	4,150,963	189,885	38,012	3,171,358	7,516,158
		(2,321,360)	(17,379)	(10,072)	(2,002,797)	(66,956)	(22,042)	(1,408,268)	(5,494,100)
PLCC Equipment	Nos.	2,850	-	-	1,058	-	-	824	100,367
		(2,850)	(-)	(-)	(1,530)	(-)	(-)	(1,512)	(270,108)
Multiplexures	Nos.	100	-	-	66	-	-	55	35,083
		(50)	(-)	(-)	(20)	(-)	(-)	(19)	(9,586)
Telemetry Equipment	Nos.	150	-	-	26	-	-	22	11,830
		(150)	(-)	(-)	(19)	(-)	(-)	(5)	(1,429)
Turbochargers	Nos.	200	-	-	138	-	-	138	445,464
		(200)	(-)	(-)	(116)	(-)	(-)	(116)	(464,211)
Transformers	MVA	10,000	-	-	5,555	-	-	5,410	1,895,910
		(8,000)	(-)	(-)	(5,383)	(-)	(-)	(5,383)	(1,788,600)
Electronic Control and Supply Units for Variable Speed Drives and other applications	Nos.	70,000	-	-	55,235	-	-	54,687	1,571,776
		(70,000)	(-)	(-)	(65,039)	(-)	(-)	(64,832)	(1,520,460)
Mini Computer/Microprocessor based Systems	Value Rs in Thousands	1,000,000	-	-	999,564	-	-	-	999,564
		(900,000)	(-)	(-)	(590,259)	(-)	(-)	(-)	(590,259)
Non-Microprocessor Based Electronics (Analog and Digital) for Weighing, Batching and Force Measuring Systems and Sub-Systems	Value Rs in Thousands	70,000	-	-	36,670	-	-	-	36,670
		(70,000)	(-)	(-)	(50,855)	(-)	(-)	(-)	(50,855)
Power Capacitors of all types	MVAR	3,700	-	-	2,810	-	-	2,578	330,290
		(3,700)	(-)	(-)	(2,399)	(-)	(-)	(1,290)	(105,715)
Robotics	Nos.	15	-	-	1	-	-	1	1,350
		(15)	(-)	(-)	(5)	(-)	(-)	(5)	(6,552)
Control Valves	Nos.	-	-	-	-	-	-	-	-
		(2,750)	(-)	(-)	(319)	(-)	(-)	(318)	(21,546)
Gas Analysers and Systems	Nos.	300	-	-	184	-	-	184	152,777
		(300)	(-)	(-)	(130)	(-)	(-)	(130)	(108,330)
Process Control Instruments	Nos.	24,975	-	-	22,391	-	-	21,665	453,255
		(24,975)	(-)	(-)	(19,380)	(-)	(-)	(18,152)	(353,578)
Others		-	-	-	-	-	-	-	473,545
				(-)			(-)		(372,428)
Project Items				36,936			69,656		12,641,469
				(26,358)			(36,936)		(9,291,452)
Erection and Other Services									1,587,308
									(1,157,204)
				93,194			143,258		29,630,526
				(88,536)			(93,194)		(22,602,226)

**Note:** The Company's products are exempt from licensing requirement under the industrial policy by virtue of notification No 477 (E) of 25.07.91

		(Rs in Thousands)	
For the year ended 31 December 2005		2005	2004
<b>Schedule 14 - Other Income</b>			
Dividend			
Long Term Investments - Trade	421		337
Long Term Investments - Others	-		3
Current Investments	-		10,796
		421	11,136
Interest			
Long Term Investment	59,922		56,909
Current Investment	-		1,011
Deposit with Banks	154,964		74,973
(Tax deducted at source Rs 34,703 thousand; Previous Year Rs 13,338 thousand)			
Others	16,695		12,284
		231,581	145,177
Miscellaneous Income		278,855	297,177
		510,857	453,490

#### Schedule 15 - Personnel Expenses

Salaries, Wages and Bonus	1,414,821	1,086,154
Contribution to Gratuity Fund	29,666	20,740
Contribution to Provident and Other Funds	90,206	68,755
Workmen and Staff Welfare Expenses	168,112	137,704
Other Personnel Expenses	81,025	47,147
	1,783,830	1,360,500

For the year ended 31 December 2005

(Rs in Thousands)

2005

2004

**Schedule 16 - Other Expenses**

Tools and Stores	239,440	214,774
Royalty	45,330	24,917
Freight and Forwarding	273,906	252,776
Postage and Telephone	76,622	64,566
Commission and Discount	230,311	175,668
Power, Fuel and Water	149,088	121,780
Travelling and Conveyance	462,139	338,357
Insurance	106,148	95,779
Rates and Taxes	53,319	31,309
Rent	90,426	78,548
Repairs :		
Buildings	27,575	27,558
Plant and Machinery	53,958	40,583
Others	23,712	21,870
Provision for Doubtful Debts and Advances	134,769	13,888
Bad Debts / Advances Written Off	146,315	140,015
Provision for diminution in the value of Investment	-	(1,713)
Loss on Sale of Current Investment (net)	-	15,544
Loss on Sale of Fixed Assets (net)	691	7,412
Printing and Stationery	40,888	33,482
Bank Charges	67,604	56,552
Legal and Professional	39,054	26,731
Trade Mark Fees	148,153	113,011
Miscellaneous	944,153	672,240
	<u>3,353,601</u>	<u>2,565,647</u>

## Schedule 17 - Notes to the Accounts

### 1. Nature of Operations

ABB Limited ('the Company') has served utility and industry customers for over 50 years with the complete range of engineering, products, solutions and services in areas of Automation and Power technology. The Company has extensive installed base for manufacturing and a countrywide marketing and service presence. Besides catering to Indian domestic market, the Company is also playing an increasing role in the global market.

### 2. Significant Accounting Policies

#### 2.1. Basis of Preparation of Financial Statements

These financial statements have been prepared on the accrual basis of accounting, under the historical cost convention, except for revaluation of certain fixed assets, in accordance with the accounting principles generally accepted in India and comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India, as applicable and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the Company except for the changes in accounting policies discussed below, are consistent with those used in previous year.

#### 2.2. Changes in Accounting Policies

The Accounting Standard (AS) 11 (revised 2003), "The Effects of Changes in Foreign Exchange Rates" is first time applicable to the Company from 1 January 2005. As a result, exchange differences amounting to Rs 8,076 thousand, on the forward exchange contracts for hedging purposes, as on 31 December 2005, have been recognised as a charge during the year with a consequential impact on the profit before tax for the year ended 31 December 2005.

#### 2.3. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### 2.4. Fixed Assets

Fixed assets are stated at the cost of acquisition, except for revaluation of certain land and building, less accumulated depreciation and impairment losses, if any. Cost of fixed assets comprises purchase price, duties, levies and any directly attributable cost of bringing the asset to its working condition for the intended use. Borrowing costs related to the acquisition or construction of the qualifying fixed assets for the period up to the completion of their acquisition or construction are capitalised. Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work in progress.

Capitalised software includes costs on Enterprise Resource Planning (ERP) Project and other costs relating to software, which provide significant future economic benefits. ERP Project costs comprise licence fees and cost of system integration services.

All costs relating to upgradations/enhancements are generally charged off as revenue expenditure unless they bring significant additional benefits of lasting nature.

Assets acquired under finance lease from 1 April 2001 are capitalised at the lower of their fair value and the present value of the minimum lease payments.

The carrying amounts are reviewed at each balance sheet date when required to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. The recoverable amount is the greater of the assets' net selling price and value in use.

#### 2.5. Depreciation/Amortisation

Depreciation on assets (except those described below) is provided on the straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, which management considers as being representative of the useful economic lives of such assets. Depreciation is provided from the date of capitalisation till the date of sale of assets.

The following assets are depreciated / amortised on the straight line method over a period of their estimated useful lives:

- Leasehold land and leasehold improvements over the primary period of the lease.
- Technical know-how fees over a period of six years.
- Capitalised software costs over a period of five years.

Assets individually costing Rs 5,000 or less are depreciated fully in the year of purchase.

Assets under finance lease are depreciated over the lower of the lease term or the useful life of the asset unless there is reasonable certainty that the Company will obtain ownership, wherein such assets are depreciated on the straight-line method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

#### 2.6. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

#### 2.7. Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of various categories of inventories is arrived at as follows:

- Stores, spares, raw materials and components - at rates determined on the moving weighted average method.
- Goods in Transit - at actual cost.
- Work-in-progress and finished goods - at full absorption cost method based on annual average cost of production. Excise duty is included in the value of finished goods inventory.

*Provision for obsolescence is made wherever necessary.*

#### 2.8. Retirement Benefits

Contributions to Provident Fund/Superannuation Fund, defined contribution schemes, are made at pre-determined rates to the recognised Provident Fund Trust/Superannuation Fund Trust and are charged to the profit and loss account.

Contributions to the recognised Gratuity Fund and provision for leave encashment, defined benefit schemes, are made on the basis of actuarial valuations made at the end of each financial year and are charged to the profit and loss account.

#### 2.9. Revenue Recognition

- Sales of products and services are recognised when significant risks and rewards of ownership of products are passed on to customers or when the service has been provided. Sales are stated at contractual realisable values, net of excise duty, sales tax, value added tax and trade discounts.
- Revenues from long-term contracts are recognised on the percentage of completion method, in proportion that the contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs. Contract revenue earned in excess of billing has been reflected under "Other Current Assets" and billing in excess of contract revenue has been reflected under "Liabilities" in the balance sheet.
- Full provision is made for any loss in the year in which it is first foreseen.
- Liquidated damages/penalties are provided for as per the contract terms wherever there is a delayed delivery attributable to the Company.
- Commission income is recognised as per contracts/receipt of credit note.
- Dividend income is recognised when the right to receive dividend is established.
- Interest income is recognised on the time proportion method.

#### 2.10. Provisions

A provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made based on technical evaluation and past experience. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

#### 2.11. Research and Development

All revenue expenses pertaining to research and development are charged to the profit and loss account in the year in which they are incurred and expenditure of capital nature is capitalised as fixed assets, and depreciated as per the Company's policy.

#### 2.12. Foreign Currency Transactions

Foreign currency transactions are recorded by applying the respective monthly average rates. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account for the year, other than exchange differences related to the liabilities for import of fixed assets that are adjusted to the cost of the related fixed assets.

All foreign currency denominated monetary assets and liabilities are translated at the exchange rates prevailing on the balance sheet date. The resultant exchange differences are recognised in the profit and loss account for the year, other than exchange differences related to the liabilities for import of fixed assets that are adjusted to the cost of fixed assets.



The premium or discount on forward exchange contracts is recognised in the profit and loss account over the period of the contract.

Gain or loss on restatement of forward exchange contracts for hedging purposes are recognised in the profit and loss account.

#### 2.13. Taxation

Provision for current income tax is made on the basis of the results of the year although the actual liability will be computed and paid on the basis of the results for the year ending 31 March 2006.

The deferred tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the balance sheet date. Deferred tax assets arising from timing differences are recognised to the extent there is reasonable certainty that the assets can be realised in future.

#### 2.14. Operating Leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the Company's benefit.

### 3. Sale of Control Valve Business

Company's Control valve business was divested to Kent Introl Private Limited on 12 July 2004. The divestment has resulted in a gain to the Company of Rs 37,991 thousand, reported as profit on sale of undertaking in profit and loss account as an exceptional item during 2004.

### 4. Earnings Per Share

	2005	2004
a) Weighted Average number of Equity Shares of Rs 10 each outstanding during the year	42,381,675	42,381,675
b) Net profit after tax attributable to equity shareholders (Rs in thousand):	2,186,770	1,543,191
c) <b>Basic and Diluted Earnings Per Share (in Rs)</b>	<b>51.60</b>	<b>36.41</b>
d) Net profit after tax available for equity shareholders excluding Exceptional Item (Rs in thousand)		
Net Profit after tax	2,186,770	1,543,191
Less: Profit on Sale of Undertaking	-	37,991
	<b>2,186,770</b>	<b>1,505,200</b>
e) <b>Basic and Diluted Earnings Per Share excluding exceptional Item (in Rs)</b>	<b>51.60</b>	<b>35.52</b>

### 5. Segment Reporting

#### A) Primary Segment Reporting (by Business Segments)

##### i) Composition of Business Segments

The Company's business segments are organised around technologies it provides to its customers, which include utilities, industries, channel partners and original equipment manufacturers.

**Power Technologies (PT)** Segment manufactures, engineers, supplies and provides solutions for power transmission, power distribution and control and protection systems for power plants. The segment produces transformers, switchgears, breakers, capacitors, power line carrier, communication equipment, relay control panels etc.

**Automation Technologies (AT)** Segment provides products, systems, software and services for the automation and optimisation of discrete, process and batch manufacturing operations plus related business aspects. Key technologies include measurement control, instrumentation, process analysis, drives and motors, power electronics, robots and low-voltage products; all geared towards one common Industrial IT architecture for real-time automation and information solutions across the business enterprise.

ii) The accounting policies used in the preparation of the financial statements of the Company are also applied for segment reporting.

iii) Segment revenues, expenses, assets and liabilities are those, which are directly attributable to the segment or are allocated on an appropriate basis. Corporate and other revenues, expenses, assets and liabilities to the extent not allocable to segments are disclosed in the reconciliation of reportable segments with the financial statements.

##### iv) Inter Segment Transfer Pricing

Inter segment prices are normally negotiated amongst the segments with reference to the costs, market prices and business risks, within an overall optimisation objective for the Company.

v) Figures in brackets are in respect of the previous year.

vi) Segment Revenues, Results and Other Information

	(Rs in Thousands)		
	Power Technologies Segment	Automation Technologies Segment	Total of Reportable Segments
External sales (net of Excise Duty)	18,314,212	11,316,142	29,630,354
	(13,626,478)	(8,964,900)	(22,591,378)
Inter Segment Sales	244,664	313,053	557,717
	(147,534)	(193,676)	(341,210)
Other Income	202,746	25,518	228,264
	(233,853)	(46,218)	(280,071)
Segment Revenues	18,761,622	11,654,713	30,416,335
	(14,007,865)	(9,204,794)	(23,212,659)
Segment Results	1,942,816	1,387,015	3,329,831
	(1,376,691)	(957,408)	(2,334,099)
Segment Assets	11,971,072	5,694,508	17,665,580
	(7,030,457)	(4,066,304)	(11,096,761)
Segment Liabilities	8,536,298	4,643,167	13,179,465
	(5,426,670)	(3,387,870)	(8,814,540)
Capital Expenditure	431,602	405,506	837,108
	(163,518)	(242,581)	(406,099)
Depreciation/Amortisation	97,882	63,423	161,305
	(88,695)	(50,970)	(139,665)

vii) Reconciliation of Reportable Segments with the Financial Statements

	Revenues	Results/ Net Profit	Assets	Liabilities
Total of Reportable Segments	30,416,335	3,329,831	17,665,580	13,179,465
	(23,212,659)	(2,334,099)	(11,096,761)	(8,814,540)
Corporate - Unallocated/ Others (net)	282,765	131,336	5,727,967	1,172,803
	(184,267)	(44,584)	(5,986,076)	(1,021,680)
Inter Segment Sales	-557,717	-	-	-
	(-341,210)	(-)	(-)	(-)
Interest Expenses	-	-66,397	-	-
	(-)	(-13,483)	(-)	(-)
Exceptional Item – Profit on sale of Undertakings	-	-	-	-
	(-)	(37,991)	(-)	(-)
Provision for tax	-	-1,208,000	-	-
	(-)	(-860,000)	(-)	(-)
As per Financial Statement	30,141,383	2,186,770	23,393,547	14,352,268
	(23,055,716)	(1,543,191)	(17,082,837)	(9,836,220)

## B) Secondary Segment Reporting (by Geographical Segments)

Secondary segment disclosures are reported on the basis of geographical location of customers.

	India	Rest of World	(Rs In Thousands) Total
Revenues	27,766,756 (20,668,994)	2,374,627 (2,386,722)	30,141,383 (23,055,716)
Total Assets	22,831,690 (16,698,924)	561,857 (383,913)	23,393,547 (17,082,837)
Capital Expenditure	946,373 (503,533)	- (1,166)	946,373 (504,699)

### As at 31 December, 2005

6. Amounts due from companies under the same management as defined in sub-section (1-B) of Section 370 of the Companies Act, 1956, are as under:

#### a) Sundry Debtors

- ABB Global Services Limited (formerly ABB Corporate Research Center Limited)

5,636 12,345

#### b) Loans and Advances

- ABB Global Services Limited (formerly ABB Corporate Research Center Limited)  
(Maximum amount due during the year Rs 20,062 thousand, Previous Year Rs 8,711 thousand)
- ABB Holdings (South Asia) Limited  
(Maximum amount due during the year Rs 752 thousand, Previous Year Rs 751 thousand)

20,062 8,711  
752 751

7. Sundry creditors include amounts due to Small Scale Industrial Undertakings (SSI's). Names of the SSI's to whom the Company owes any sum, which is outstanding for more than 30 days as at 31 December 2005 are as per attached Annexure.

333,108 153,095

This disclosure is on the basis of information available with the Company regarding the status of suppliers.

### 8. Contingent Liabilities

- i) Claims against the Company not acknowledged as debts in respect of sales tax, excise and other matters
- ii) Bills discounted  
The above excludes bills co-accepted by the customers' bankers/guaranteed by the State Governments **Rs 267,473 thousand** (Previous Year Rs 438,399 thousand)
- iii) Income tax matters in dispute

395,584 395,270  
46,160 291,314  
280,364 183,220

9. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)

328,643

179,875

As at 31 December, 2005

#### 10. Finance Lease Obligations

The Company normally acquires computers and vehicles under finance lease with the respective underlying assets as security. Minimum lease payments outstanding as of 31 December 2005 in respect of these assets are as follows:- (Figures in brackets are in respect of the previous year):

Due	(Rs in Thousands)		
	Total Minimum Lease Payments outstanding as on 31 December 2005	Interest Not Due	Present Value of Minimum Lease Payments
Within one year	<b>13,666</b> (8,655)	<b>2,970</b> (1,333)	<b>10,696</b> (7,322)
Later than one year and not later than five years	<b>18,219</b> (8,020)	<b>1,958</b> (1,030)	<b>16,261</b> (6,990)
	<b>31,885</b> (16,675)	<b>4,928</b> (2,363)	<b>26,957</b> (14,312)

11. The Company has no non-cancelable operating lease obligations as on 31 December 2005. Rental expenses towards cancelable and non-cancelable operating leases charges to the profit and loss account amounts to **Rs 90,426 thousand** (Previous Year Rs 78,548 thousand).

#### 12. Deferred Tax

- i) The break up of net deferred tax liability as at 31 December 2005 is as follows: (Figures in brackets are in respect of the previous year):

	(Rs in Thousands)	
	Deferred tax asset	Deferred tax liability
Timing differences on account of:		
Difference between book depreciation and depreciation under the Income-tax Act, 1961		<b>287,531</b> (284,851)
Expenditure under Section 43B of the Income-tax Act, 1961	<b>36,927</b> (24,614)	
Lease Finance	<b>9,074</b> (5,237)	
Provisions for doubtful debts and advances	<b>142,639</b> (105,895)	
Others	<b>14,620</b> (16,834)	
	<b>203,260</b> (152,580)	<b>287,531</b> (284,851)
Net Deferred Tax Liability		<b>84,271</b> (132,271)

#### 13. Capacities, Production, Stock and Turnover (Refer Schedule 13)

##### 13.1 Capacities

- a) Installed capacities are as certified by the Managing Director, but not verified by the Auditors, being a technical matter.

##### 13.2 Production

- a) Production of finished goods is inclusive of production for captive use.
- b) "Others" represent internally manufactured components, sold during the year. The Company considers these 'meant for sale' when actually sold. Since the quantitative denominations of these items are dissimilar, it is impracticable to disclose the quantitative information in respect of production and turnover.

##### 13.3 Project items

- a) These comprise sale of equipment and miscellaneous items meant for execution of projects and trading items. Since the quantitative denominations of these items are dissimilar, it is impracticable to disclose the quantitative information in respect thereof.
- b) Purchases of these items during the year aggregated to **Rs.10,407,353 thousand** (Previous Year Rs 7,787,259 thousand).

#### 13.4 Work-in-Progress

The Work-in-progress at the beginning of the year amounted to **Rs 522,721 thousand** (Previous Year Rs 291,566 thousand).

**For the year ended 31 December 2005**

		(Rs in Thousands)	
		2005	2004
<b>14. Earnings in Foreign Exchange</b>			
(on accrual basis)			
i) Export of Goods			
- Direct on FOB basis		2,108,830	2,102,028
- Deemed Exports		211,474	145,168
ii) Goods supplied/services rendered locally against foreign exchange remittances		45,593	652,666
iii) Erection and other services		150,798	222,473
iv) Other Income:			
a. Commission		76,984	56,829
b. Others		38,015	5,392
		<u>2,631,694</u>	<u>3,184,556</u>

#### 15. Consumption of Raw Materials and Components

		2005		2004	
		Quantity	Rs in Thousands	Quantity	Rs in Thousands
Ferrous Metals	MT	696	38,777	888	39,109
Non-Ferrous Metals	MT	1,386	322,677	1,726	325,857
Components		*	7,089,285	*	5,980,294
Others			1,308,389		849,516
			<u>8,759,128</u>		<u>7,194,776</u>
		%		%	
Imported		44.03	3,856,645	53.13	3,822,847
Indigenously acquired		55.97	4,902,483	46.87	3,371,929
		<u>100.00</u>	<u>8,759,128</u>	<u>100.00</u>	<u>7,194,776</u>

For the purpose of para 4D (c) of Part II of Schedule VI to the Companies Act, 1956, components and spare parts are assumed to mean those incorporated in the product finally sold and not those used as spares for the repairs and maintenance of Plant and Machinery.

\* Since the quantity denominations and the type of components are dissimilar in nature, it is impracticable to disclose the quantitative information in respect thereof.

		(Rs in Thousands)	
		2005	2004
<b>16. Value of imports on CIF basis</b>			
(on accrual basis)			
Raw Materials and Components		4,151,815	4,622,740
Finished Goods		872,032	594,513
Maintenance Spare Parts		14	750
Capital Goods including Technical Know-how		91,582	122,066
Software		15,229	11,359
Project items		1,732,271	844,238
		<u>6,862,943</u>	<u>6,195,666</u>



		(Rs in Thousands)	
For the year ended 31 December 2005		2005	2004
<b>17. Expenditure in foreign currency</b>			
(on accrual basis)			
Royalty		45,330	24,917
Trade Mark Fees		148,153	113,011
Commission and Discount		18,300	9,224
Professional / Project Consultancy		108,954	177,736
Others		422,255	286,098
		<u>742,992</u>	<u>610,986</u>
<b>18. Amount remitted during the year in foreign currency, on account of dividend</b>			
i) Number of non resident shareholders		3	3
ii) Number of equity shares held by them on which dividend was paid		22,084,198	22,084,198
iii) Year ended to which the dividend related		December 2004	December 2003
iv) Amount remitted		154,589	132,505
<b>19. Managerial Remuneration</b>			
		(Rs in Thousands)	
a) i) Directors' fee		130	175
ii) Other remuneration			
Salary	6,245		3,000
Commission to Managing Director	3,375		3,000
Commission to Non Executive Directors	1,200		1,200
Contribution to Provident and other funds	1,834		954
Other perquisites	2,406		1,958
		<u>15,060</u>	<u>10,112</u>
		<u>15,190</u>	<u>10,287</u>
b) Computation of Net Profit as per Section 349 of the Companies Act, 1956			
Profit Before Tax as per profit and loss account		3,394,770	2,403,191
Add: Managerial Remuneration	15,190		10,287
Loss on Sale of Fixed Assets	3,896		8,859
Provision for doubtful debts and advances	134,769		13,888
		<u>153,855</u>	<u>33,034</u>
		<u>3,548,625</u>	<u>2,436,225</u>
Less: Exceptional Item – Profit on Sale of Undertaking	-		37,991
Profit on sale of Fixed Assets	3,205		1,447
		<u>3,205</u>	<u>39,438</u>
Net Profit as per Section 349 of the Companies Act, 1956		<u>3,545,420</u>	<u>2,396,787</u>
Commission to Managing Director		3,375	3,000
Commission to Non Executive Directors		1,200	1,200
		<u>4,575</u>	<u>4,200</u>

Commission to Managing Director is subject to further recommendation and approval of Remuneration Committee and the Board. For the year ended 31 December 2004, Rs 2,784 thousand was paid as commission to Managing Director based on recommendation and approval of Remuneration Committee and the Board.

		(Rs in Thousands)	
For the year ended 31 December 2005		2005	2004
<b>20. Auditors' Remuneration</b>			
i	Audit Fee	3,350	3,350
ii	Tax Audit Fee	1,975	1,975
iii	Other Services (includes fees for quarterly reviews)	3,925	3,260
iv	Reimbursement of out of pocket expenses	1,587	1,029
		<u>10,837</u>	<u>9,614</u>

21. Interest charge for the year includes **Rs 16,809 thousand** (Previous Year Rs 9,308 thousand) being interest on Fixed period loans.
22. Net foreign exchange loss of **Rs 69,388 thousand** (Previous Year gain of Rs 35,360 thousand) has been accounted for in the profit and loss account.
23. Research and development expenditure of **Rs 28,520 thousand** (Previous Year Rs 17,909 thousand) on revenue account has been incurred during the year.

**24. Construction Contracts**

Contract revenue recognised as revenue for the year ended 31 December 2005	12,836,356	11,185,935
Aggregate amount of contract costs incurred and recognised profits (less recognised losses) up to 31 December 2005 for all the contracts in progress	21,714,827	18,522,858
The amount of customer advances outstanding for contracts in progress as at 31 December 2005	1,401,191	576,359
The amount of retentions due from customers for contracts in progress as at 31 December 2005	1,761,065	1,201,026

## 25. Related Party Disclosures

### a) List of Related Parties

#### Party where control exists:

ABB Asea Brown Boveri Limited, Zurich (Holding Company)

#### Other Related parties with whom transactions have taken place during the year:

#### Fellow subsidiaries:

ABB A/S, Fredericia, Denmark	ABB (Asea Brown Boveri) S.A., Amadora, Portugal
ABB (China) Ltd., Beijing, China	ABB (P.J.S.C.), Teheran, Iran
ABB (Hong Kong) Ltd., Hong Kong	ABB A/S, Skovlunde, Denmark
ABB (Pvt.) Limited, Lahore, Pakistan	ABB AG, Mannheim, Germany
ABB AB, Västerås, Sweden	ABB AP Trading & Engineering AG, Zurich, Switzerland
ABB AG, Vienna, Austria	ABB AS, Tallinn Estonia
ABB Agências Pte. Ltd., Singapore	ABB AS, Divisjon Kraft, Skien, Norway
ABB Asea Skandia As, Oslo, Norway	ABB Asia Pacific Ltd., Hong Kong
ABB Asia Pacific Services Ltd., Hong Kong	ABB AT Division, Skien, Norway
ABB Australia Pty Limited, Sydney, Australia	ABB Automation Ltd., Stevenage, United Kingdom
ABB Automation E.C., Bahrain	ABB Automation Products S.A., Barcelona, Spain
ABB Automation Products GmbH, Eschborn, Germany	ABB Automation SAS, Massy, France
ABB Automation GmbH, Mannheim, Germany	ABB Automation Technologies AB, Västerås, Sweden
ABB Bailey Pte. Ltd., Singapore	ABB Automation Systems Ltd., Warrington
ABB Bailey Beijing Controls Co.Ltd., Beijing	ABB Barranquilla Inc., Princeton, NJ, USA
ABB Bomem Inc., Quebec, Canada	ABB Beijing Drive Systems Co. Ltd., Beijing, China
ABB BV, Rotterdam, Holland	ABB AS Billingstad, Norway
ABB Capital, B.V., Amsterdam, Holland	ABB Calor Emag Hoschspannung GmbH, Hanau, Germany
ABB Contracting Co. Ltd., Riyadh	ABB Calor Emag Mittelspannung GmbH, Ratingen, Germany
ABB Electrical Co. S.A.L., Beirut, Lebanon	ABB Chongqing Transformer Company Ltd., Chongqing City, China
ABB Electrical Industries Ltd., Riyadh, Saudi Arabia	ABB Control Ltd., Exhall, Coventry, United Kingdom
ABB Electroengineering Ltd., Moscow, Russia	ABB Distribution Transformer (Hefei) Limited, Anhui, China
ABB Elektro s.r.o., Bratislava, Slovakia	ABB Electrical Service Company Spa, Hydra, Algeria
ABB Energy Automation S.p.A., Milan, Italy	ABB Elektrik Sanayi A.S., Istanbul, Turkey
ABB Engg Technologies Co. (KSCC), Safat, Kuwait	ABB Energy Automation S.p.A., Abu Dhabi, U.A.E.
ABB Entrelec SAS, Villeurbanne, France	ABB Energy Engineering AG, Zurich, Switzerland
ABB Flexible Automation Ltd., Warrington, UK	ABB Engineering (Shanghai) Ltd., Shanghai, China
ABB Hefei Transformer Co.Ltd., Hefei, China	ABB Engineering Trading and Service Ltd., Budapest, Hungary
ABB High Voltage Co. S.A.E., Heliopolis/Cairo, Egypt	ABB Flexible Automation Ltd., Milton Keynes, UK
ABB Holding AS, Billingstad, Norway	ABB Gebaudetechnik Ag, Mannheim, Germany
ABB Holdings (Pty) Ltd., Sunninghill, South Africa	ABB Group Process Center S.A.E., Cairo, Egypt
ABB Holdings Inc., Norwalk, CT, United States	ABB Group Services Center GmbH, Mannheim, Germany
ABB Holdings Pte. Ltd., Singapore	ABB High Voltage Switchgear Co. Ltd., Beijing, China
ABB Inc., Raleigh, NC, USA	ABB Holding AS, Istanbul, Turkey
ABB Industrial Systems Ltd., Dundalk	ABB Holdings (South Asia) Limited, Bangalore, India
ABB Industry Pte. Ltd., Singapore	ABB Holdings Sdn. Bhd., Subang Jaya, Malaysia
ABB Instrumentation Ltd., Warrington	ABB Industria S.p.A. Milan, Italy
ABB K.K., Tokyo, Japan	ABB Inc., St. Laurent, Quebec, Canada
ABB Instrumentation, Massy, France	ABB Industrial & Building Systems Ltd., Moscow
ABB Limited, Auckland, New Zealand	ABB Industries (L.L.C.), Dubai, U.A.E
ABB International Services AG, Zurich	ABB Information Systems Ltd., Zurich, Switzerland
ABB Instrumentation, Massy, France	ABB Instrumentation Ltd., St. Neots, United Kingdom
ABB Industries AB, Vasteras	ABB Instrumentation S.p.A., Milan, Italy
ABB LLC, Al Hamriya, Oman	ABB International Marketing Ltd., Zurich, Switzerland
ABB Ltd., Dublin, Ireland	ABB Limited, Bangkok, Thailand
ABB Ltd., London, United Kingdom	ABB Logistics Center Europe GmbH, Menden, Germany
ABB Ltd., Jordan, Amman	ABB Ltd., Hanoi, Vietnam
ABB Ltd., Kiev, Ukraine	ABB Ltd., Kampala, Uganda
ABB Ltd., Seoul, South Korea	ABB Ltd., Lusaka, Zambia
ABB Ltd., Warrington, United Kingdom	ABB Ltd., Taipei, Taiwan

ABB Ltd., Zurich, Switzerland  
 ABB Ltda., Osasco, Brazil  
 ABB Malaysia Sdn Bhd, Subang Jaya, Malaysia  
 ABB MEA Participation Ltd., Zurich, Switzerland  
 ABB MC, St Ouen l'Aumone, France  
 ABB Norden Holding AB, Stockholm, Sweden (ABB Technology FLB AB, Stockholm)  
 ABB Near East Trading Ltd., Amman, Jordan  
 ABB Power Technologies AB, Ludvika, Sweden  
 ABB Power Technologies Products AB, Ludvika, Sweden  
 ABB Power Technology Management Ltd., Zurich, Switzerland  
 ABB Process Analytics Ltd., Warrington, United Kingdom  
 ABB Process Industries Division, Oslo  
 ABB Process and Automation, Sunninghill, South Africa  
 ABB Process Industries GmbH, Eschborn, Germany  
 ABB Robotics Products AB, At - Robotics, Västerås, Sweden  
 ABB S.A., Panama, Panama  
 ABB S.A., Rueil-Malmaison, France  
 ABB SAE S.p.A, Milan, Italy  
 ABB SACE S.p.A., Sesto S. Giovanni(MI), Italy  
 ABB Schaltanlagentechnik GmbH, Ladenburg, Germany  
 ABB Sécheron S.A., Satigny, Switzerland  
 ABB Service AB, Vasteras, Sweden  
 ABB Servomotors S.r.l., Milan, Italy  
 ABB South Africa (Pty) Ltd., Sunninghill, South Africa  
 ABB Stotz-Kontakt Electrica, Unipessoal, Lda, Porto, Portugal  
 ABB S.p.A., Milan, Italy  
 ABB Technologies Ltd., Tirat Carmel, Israel  
 ABB Technology Ltd., Zurich, Switzerland  
 ABB Transformatoren GmbH, Bad Honnef, Germany  
 ABB Transmission and Distribution Pty Ltd., Moorebank, NSW  
 ABB Transmission and Distribution Sdn. Bhd., Subang Jaya, Malaysia  
 ABB Trasmisione & Distribuzione S.p.A., Milan, Italy  
 ABB Ukrelektroapparat Transformer Ltd., Khmelnitzkij, Ukraine  
 ABB Vetco Gray U.K. Ltd., Aberdeen, United Kingdom  
 ABB Xiamen Electrical Controlgear Co. Ltd., Fujian Province, China  
 ABB Xiamen Low Voltage Equipment Co. Ltd., Xiamen, China  
 ABB Xinhui Low Voltage Switchgear Co. Ltd., Xinhui, China  
 ABB Zhongshan Transformer Co. Ltd., Zongshan, China  
 Asea Brown Boveri Inc., Paranaque, Metro Manila, Philippines  
 Asea Brown Boveri Ltd., Port Louis, Mauritius  
 Asea Brown Boveri Ltda., La Paz, Bolivia  
 Asea Brown Boveri S.A., Brussels, Belgium  
 Asea Brown Boveri S.A., Lima, Peru  
 Asea Brown Boveri S.A., Metamorphossis Attica, Greece  
 Asea Brown Boveri S.A.E., Cairo, Egypt  
 Soulé Protection Surtensions, Villeurbanne, France  
 Busch-Jaeger Elektro GmbH, Mannheim, Germany  
 PT ABB Transmission and Distribution, Jakarta, Indonesia  
 ABB Huadian High Voltage Switchgear (Xiamen) Co.Ltd., Xiamen, China

ABB Ltd., Zagreb, Croatia  
 ABB Lummus Heat Transfer B.V., The Hague, Holland  
 ABB LV Installation Materials Co. Ltd., Beijing, China  
 ABB Manufacturing & Consumer Industries AB, Västerås, Sweden  
 ABB Manufacturing Sdn. Bhd. Subang Jaya, Malaysia  
 ABB Mexico S.A. de C.V., Tlalnepantla, Mexico  
 ABB Payment Services B.V., Amstelveen, Holland  
 ABB Oy, Helsinki, Finland  
 ABB Power Technology S.A., Zaragoza, Spain  
 ABB Power Technologies S.p.A., Milano, Italy  
 ABB Process Analytics Ltd., St. Neots  
 ABB Process Industrie, Aix les Bains, France  
 ABB Process Solutions & Services SPA, Milan, Italy  
 ABB Progetto S.p.A., Bergamo, Italy  
 ABB Reaktor GmbH, Mannheim, Germany  
 ABB S.A., Buenos Aires, Argentina  
 ABB S.A., Paris La Defense, France  
 ABB s.r.o., Prague, Czech Republic  
 ABB Shanghai Motors Co. Ltd, Shanghai, China  
 ABB Schweiz AG, Baden, Switzerland  
 ABB Service Co. Ltd., Al Khobar, Saudi Arabia  
 ABB Sp. zo.o., Warsaw, Poland  
 ABB Stormberg DO 27 Oy, Helsinki, Finland  
 ABB Stotz-Kontakt GmbH, Mannheim, Germany  
 ABB Solutions S.p.A., Mialno, Italy  
 ABB Steward (PVT) Ltd., Harare, Zimbabwe  
 ABB Technologies W.L.L., Bahrain  
 ABB Trade S.A., Metamorphossis Attica, Greece  
 ABB Transformers Ltd, Waterford, Ireland  
 ABB Transmission & Distribution Ltd., Abu Dhabi  
 ABB Tubio S.A., San Luis, Argentina  
 ABB Turbo-Systems AG, Baden, Switzerland  
 ABB Utilities AB, Västerås, Sweden  
 ABB Utilities GmbH, Mannheim, Germany  
 ABB Xiamen Switchgear Co. Ltd., Xiamen, China  
 ABB Xi'an Power Capacitor Co.Ltd., Xi'an, China  
 ABB Zamech Marine Sp. zo.o., Elblag, Poland  
 Asea Brown Boveri Inc., Norwalk, CT, United States  
 Asea Brown Boveri Jurnet S.A., Jurnet, Belgium  
 Asea Brown Boveri Ltd., Nairobi, Kenya  
 Asea Brown Boveri Ltda., Bogotá, Colombia  
 Asea Brown Boveri S.A., Caracas, Venezuela  
 Asea Brown Boveri S.A., Madrid, Spain  
 Asea Brown Boveri S.A., Santiago, Chile  
 Asea Brown Boveri S.A., Quito  
 Asea Brown Boveri (China) Investment Ltd., Beijing  
 PT ABB Sakti Industri, Jakarta, Indonesia  
 Modulec S.A., San Luis, Argentina  
 Electrical Materials Center, Riyadh, Saudi Arabia  
 ABB Global Services Limited, India  
 (formerly ABB Corporate Research Center Limited)

**Associate:**

Integra Hindustan Control Limited

**Managing Director:**

Mr. Ravi Uppal

		(Rs in Thousands)	
b)	Transactions with related parties	2005	2004
i)	<b>Sales, Services and Other income</b>		
	Fellow Subsidiaries	1,521,022	1,114,146
	Integra Hindustan Control Limited (an associate)	21,145	18,611
ii)	<b>Purchases of Raw Materials, Components and Project items</b>		
	Fellow Subsidiaries		
	- ABB Turbo-Systems AG, Baden	392,104	554,507
	- ABB Automation Technologies AB, Vasteras	828,289	613,029
	- ABB Oy, Helsinki, Finland	859,813	496,323
	- ABB SACE S.p.A., Sesto S. Giovanni (MI), Italy	601,927	494,077
	- Other fellow subsidiaries	2,071,869	2,853,440
		4,754,002	5,011,376
iii)	<b>Expenditure on Royalty, Trade-mark, Technical and Consultancy Services</b>		
	Holding Company	148,153	113,011
	Fellow Subsidiaries		
	- ABB Power Technologies AB, Ludvika	70,403	-
	- Other fellow subsidiaries	28,389	19,685
		98,792	19,685
iv)	<b>Expenditure on Other Services</b>		
	Holding Company	-	6,852
	Fellow Subsidiaries		
	- ABB Information Systems Ltd., Zurich, Switzerland	67,425	53,993
	- ABB Technology Ltd., Zurich, Switzerland	228,593	132,504
	- ABB Power Technologies AB, Ludvika	7,058	164,586
	- Other fellow subsidiaries	150,858	89,106
		453,934	440,189
v)	<b>Capital expenditure for Technical Know how</b>		
	Fellow Subsidiaries		
	- ABB Turbo-Systems AG, Baden, Switzerland	-	11,220
	- ABB Oy, Helsinki, Finland	11,275	17,800
	- ABB SACE S.p.A., Sesto S. Giovanni (MI), Italy	11,153	11,070
	- Other fellow subsidiaries	-	3,391
		22,428	43,481
vi)	<b>Capital expenditure</b>		
	Fellow Subsidiaries		
	- ABB Australia Pty Limited, Sydney, Australia	-	26,098
	- ABB Schweiz AG Baden, Switzerland	-	18,740
	- ABB Transformatoren GmbH, Bad Honnef, Germany	-	9,362
	- ABB Trasmissione & Distribuzione S.p.A., Milan, Italy	-	10,362
	- ABB AS Billingstad, Norway	9,073	-
	- Other fellow subsidiaries	2,739	6,988
		11,812	71,550
vii)	<b>Outstanding balances</b>		
	<b>Debtors and Advances</b>		
	Holding Company	783	46
	Fellow Subsidiaries		
	- ABB Xiamen electrical Contolgear Co Ltd. China	27,699	36,154
	- Other fellow subsidiaries	331,754	240,817
		359,453	276,971



	(Rs in Thousands)	
	2005	2004
Integra Hindustan Control Limited (an associate)	3,358	3,000
<b>Creditors</b>		
Holding Company	80,388	86,166
Fellow Subsidiaries		
- ABB Oy, Helsinki, Finland	297,944	194,338
- ABB Power Technologies AB, Ludvika	147,698	175,600
- ABB Automation Technology AB, Västerås, Sweden	242,071	152,117
- ABB SACE S.p.A., Sesto S.Giovanni (MI), Italy	199,590	150,547
- Other fellow subsidiaries	729,066	798,344
	<b>1,616,369</b>	<b>1,470,946</b>
<b>viii) Provision for doubtful debts</b>		
Fellow Subsidiaries	-	1,303
<b>ix) Dividend Paid during the year</b>		
Holding Company	137,032	117,456
Fellow Subsidiaries	17,556	15,048
<b>x) Remuneration to Managing Director</b>	13,860	8,912
<b>xi) Dividend received from Associate</b>	421	337

26. The Company has entered into factorisation arrangements with certain Banks on a non recourse basis whereby debtors at the year end amounting to **Rs Nil** (Previous Year Rs 2,009,265 thousand) have been transferred to these banks and has been netted off against sundry debtors.

27. The pro rata difference between the forward contract rate and the exchange rate on the date of transaction to be credited to profit and loss account is **Rs 18,778 thousand** (Previous Year to be charged Rs 8,474 thousand).

**28. Current Investments bought and sold:**

There are no Current Investments bought and sold in 2005. Current Investments bought and sold in 2004 are as follows:

	(Rs in Thousands)		
Name	No. of Units	Face Value	Purchase Cost
HDFC Liquid Fund - Premium Plan	29,999,263	299,992	360,000
NLFID Canliquid Fund	29,887,533	298,875	300,000
Prudential ICICI Institutional Liquid Plan	21,940,002	219,400	260,000
HDFC Cash Management Fund	23,504,193	235,042	250,000
Grindlays Cash Fund	25,000,000	250,000	250,000
Tata Gilt Securities Funds	11,762,199	117,622	200,000
Birla Gilt Plus Regular Plan	9,355,784	93,558	200,000
Templeton India Government Securities Fund	8,814,090	88,141	200,000
HSBC Cash Fund - Institutional Plan	20,067,661	200,677	200,000
TATA Liquid Super High Investment Fund	17,985,814	179,858	200,000
Templeton India Treasury Management Account	200,000	200,000	200,000
LIC Liquid Fund	9,258,059	92,581	100,000
HUDCO Bonds	50,000,000	50,000	56,235

29. Disclosure required by Accounting Standard (AS) 29 'Provisions, Contingent Liabilities and Contingent Assets':

a) Movement in provisions:

(Rs in Thousands)

Class of provisions	As at 1 January 2005	Additions	Amounts used	Unused Amounts reversed	As at 31 December 2005
Product Warranties	81,150	223,614	107,860	-	196,904
Sales Tax	3,565	13,248	-	-	16,813
Litigations	58,092	-	-	1,000	57,092
Restructuring	71,184	-	2,903	-	68,281

b) Nature of provisions:

- Product Warranties: The Company provides warranties for its products and services, undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Provision made as at 31 December 2005 represents the amount of the expected cost based on technical evaluation and past experience of meeting such obligations. This provision is expected to be used in next two to three years.
- Provision for Sales Tax represents mainly the differential sales tax liability on account of non – collection of declaration forms.
- Provision for litigation represents claims against the Company not acknowledged as debts that are expected to materialise in respect of matters in litigation.
- Provision for restructuring represents the liability that is expected to materialise in respect of units hived off in past.

30. The employees of the Company are entitled to purchase shares of ABB Ltd, Zurich (the ultimate holding company) on the settlement date, at a price fixed based on the fair market price on the grant date under "ABB Employee Share Acquisition Plan". Guidance Note on "Accounting for Employee Share-based Payments" permits as an alternative the intrinsic value method of accounting with fair value disclosures. There is no discount on the intrinsic value and any settlement obligations as of date. Further, the scheme detailed above is assessed, managed and administered by the ultimate holding company, accordingly, the Company has not accounted/ disclosed for the above plans as per the said Guidance Note.

31. The figures of the previous year have been regrouped/reclassified, where necessary, to conform with the current year's classifications.

As per our report of even date

For and on behalf of the Board

For S. R. Batliboi & Company  
Chartered Accountants

per Sunil Bhumralkar  
Partner  
Membership No. 35141

Mumbai, 24 January, 2006

Dinesh Paliwal	Chairman
Ravi Uppal	Vice Chairman & Managing Director
Biplab Majumder	Executive Director
Nasser Munjee	Director
N S Raghavan	Director
D E Udawadia	Director
K Sridhar	Director
K Rajagopal	Sr. Vice President - Finance
B Gururaj	Company Secretary

Mumbai, 24 January, 2006

#### **Annexure to note 7 of Schedule 17- Notes to the Account**

Names of the Small Scale Industrial Undertakings to whom the Company owes any sum which is outstanding for more than 30 days as at 31 December 2005.

A.R.Engineering Works	Naren Electronics Company
Abhilasha Engineers	Narkhede Udyog
Adept Polymers Private Limited	Nasik Wood Packers Private Limited
Advance Components And Instruments	National Machine Tools & Equipments
Agate Electro	Neelay Industries
Aim Plast	Neelay Metal Industries
Akash Travels	Nice Engineering Works
Akshaj Enterprises	Nikitech Electric Private Limited
Akshar Dies & Tools	Nilchandra Engineering Private Limited
Alfa Engineering	Nitiraj Plastic & Engineering Private Limited
Alfa Tools	Nootan Engineering Industries
Almaas Moulding Works	O.E.N India
Alpha Engineers	Oblum Electrical Industries
Amey Industries	Okay Tools Private Limited
Amey Innovatives	Om Enterprises
Ami Enterprises	Omega Rolling Mills Private Limited
Ampcontrol Equipments	Omkar Enterprises
Analogic Technomatics Private Limited	Orion Packart
Anand Enterprise	Paarth Industries
Ani Stamping & Lamination	Panchal Electro Controls Private Limited
APR Electronics Private Limited	Panchal Engineers
Aradhana Trading Company	Panchashil Industries
Arden Enterprise	Par Excellence
Ashish Udyog	Pefco Foundry
Ashok Printers	Perfect Auto Products
Austin Engineering	Phenoplast Corporation
Auto Repowering Works	Plasto Form Products
Avon Data Cables Private Limited	Plastofab
B.L.Electricals	Polymer Products
Bhagavati Enterprises	Polyrub Extrussions (India)
Bharat Plastics & General Industries	Pooja Enterprises
Bharat Timber Enterprises	Pooja Industries
Bharat Wooden Industries	Popular Power Controls
Bikaner Ceramics Private Limited	Popular Switchgears Private Limited
BMV Enterprises	Pragati Electricals
C.K.Industries	Praj Engineers
C.P. Traders	Pratibha Plastics Udyog Private Limited
Central Hardware Industries	Preci Tools
Chaitanya Engineering Works	Precise Electricals
Comet Industries	Precision Spring Works
Conmat Systems	Press "O" Parts Industries
Continental Engineering	Press Metal Industries
Conzerv Systems Private Limited	Pretech Plast Private Limited
Crescent Engineering	Printsellers
Crystal Plastic Industries	Priti Advertiser
Darpan Electricals & Electronics	Protecta Systems
Datson Industries	Quality Castings
Dawn Enterprise	R.J.Industrials
Desai Engineers	R.M.Industries
Desai Udyog	Rajesh Industries
Devshree Enterprises	Raman Thermosets Private Limited
Dharam Fasteners	Ramani Enterprises
Dharmiconn Elektrix	Ramdutt Enterprise

## Annexure to note 7 of Schedule 17- Notes to the Account - contd

Dhruv Packaging & Engineers  
 Dhvani Enterprise  
 Die Crafts  
 Duffon Polymers  
 Efficient Engineering  
 Electrical Controls & Systems  
 Electro Enterprise  
 Electrodeal  
 Electronic Relays (India) Private Limited  
 Energytech Equipments  
 Engineers India Industries  
 Excel Metal Engineering Private Limited  
 Excelsior Enterprises  
 F. S. Engineers  
 Fibertek Communications Private Limited  
 Fibre Group Corporation  
 Fibretech Industries  
 Fluoro Polymers Products  
 Fosroc Chemicals (India ) Private Limited  
 Fuse India  
 Futura Automation Private Limited  
 G.G.Trionics India Private Limited  
 G.H. Enterprises  
 G.S. Industries  
 Gala Springs Private Limited  
 Ganesh Forge Private Limited  
 Garda Tools  
 Gayatri Engineering Corporation  
 Gayatri Metalic Foundry  
 Gayatri Sales And Services  
 Globe Electrical Industries  
 Goyal Electronic Industries  
 G-Plast Private Limited  
 Graphic Creations  
 Greenfield Electricals Private Limited  
 Gujarat Wire & Metal Industries  
 Gurukrupa Engineering  
 Gyro Laboratories Private Limited  
 Hari Electronics  
 Hilberk  
 Hind Tools  
 Hindustan Polythene & Plastic Works  
 Hitech Magnetis  
 I-Con Industries  
 Ideal Sales Corporation  
 India Labels  
 Indiana Cable Trays Corporation  
 Indo Electricals  
 Innova Rubbers Private Limited  
 Innovative  
 Inova Cast Private Limited  
 Insulators & Electricals Company  
 Insule Products  
 J M Industries  
 Jadhav Electricals

Rapid Electronics  
 Ratnaparkhi Electronics Industries  
 Ravi Industries  
 Raychem RPG  
 Rays Electro Products  
 Recherche Industries  
 Reliable Electronics Components Private Limited  
 Rockford Rubbertext (India)  
 Rollex Engineering Works  
 Rolliflex Industries  
 Ruby Electronics  
 S N S Industries  
 S.R.Engineers  
 S.S.Fasteners  
 Sai Advertising & Marketing  
 Sai Baba Suppliers  
 Sai Packaging Industries  
 Saini Engineering Works  
 Sam Tech  
 Sameer Linkages  
 Sameer Udyog  
 Sanghvi Fasteners  
 Sargam Industries  
 Sarman Engineering Private Limited  
 Satellite Vision  
 Satguru Engineering  
 Satyam Engineering  
 Scope T&M  
 Sealvel Rubber Products  
 Shah Agencies  
 Shah Fabricators & Engineers  
 Sheetal Corporation  
 Shil Trade  
 Shinograph  
 Shivam Engineering  
 Shkomin Services  
 Shree Electrical & Engineering Company  
 Shree Narsingh Electric Company  
 Shree Traders  
 Shree Vallabh Industries  
 Shri Ambika Poly Plast  
 Shubhada Polymers Products (Private) Limited  
 Sigma Freudenberg Nok Private Limited  
 SKM Steels  
 Sonic Engineers  
 Sorbead India  
 Spares & Components Company  
 Special Machines (India)  
 Specialised Components Private Limited  
 Spring Pins & Industrial Locks  
 SR Engineering Works  
 Sree Venkateswara Power Industries  
 Sri Gowri Industries  
 Standard Engineering Works  
 Sudal Industries

## Annexure to note 7 of Schedule 17- Notes to the Account - contd

Jagat Engineers	Sukrut Udyog
Jasmine Electronics & Electricals	Sun Precisioncast
Jigar Engineering Works	Sungrace Electrical Private Limited
JLC Electromet Private Limited	Sunrise Marketing & Engineers
JSL Industries	Super Packers
K.P.Engineers & Fabricators	Supreme Steel Industries
K.S.Instruments Private Limited	Supriya Enterprises
Kabeer Engineering Works	Suttatti Enterprises Private Limited
Kalki Communication Technologies	Suwinka Engineering Private Limited
Kalpana Engineering Works	SW Metaform Private Limited
Kamal Engineering Works	Swambe Chemicals
Kamal Enterprises	Swastik Metal Works Private Limited
Kaps Industries	Switron Devices
Kartikeya Engineering Works	T & F Insulations Private Limited
Kaycee Industries	Tai Engineering Works
Kedar Enterprises	Tas Foundries
Kei Industries	Techno Rubber & Plastics
Klenzaid's Bioclean Private Limited	Technocrafts Switchgear
KLK Systel	Teknic Controls
Kohli Export Packaging I Private Limited	Termico Electricals
Kotsons Private Limited	The Motwane Manufacturing Company Private Limited
KPL International	Tilak & Tej Industries
Krishna Industries	TKW Fasteners Private Limited
Kumaran Industries	Trisons Corporations
Laxmi Die Castings	Tushar Industry
Laxmi Engineering Works	Tushar Udyog
Laxmi Sales Corporation	Ultra Tool Mac Engineers
Lokmanya Stores	Umiya Industrial Supplier
Lotus Wireless Technologies India	Uni-Deritend
M & M Fasteners India	United Engineers
M.B.Control & Systems Private Limited	Unitrade India
M.G.Marketing	V.G.Patel
Macline Engineering	Vaibhav Engineers Private Limited
Maharashtra Plastic & Engineering	Variturn Electro Products Private Limited
Mahesh Vidyut Udyog	Vee Vee Controls Private Limited
Mahindra Engineering & Chemicals	Vibha Fluid Systems Engineers
Manisha Engineering Enterprise	Vijay Engineering
Maruti Engineers	Vijay Industries
Maruti Technical Services	Vikas Cable
Mayur Precision Products	Vinay Engineering Industries
Meck Industries	Vipul Enterprises
Meera Engineering Works	Vir Electro Engineering Private Limited
Mega Fabricators Private Limited	Vishal Fabricators Private Limited
Mehta Tubes Private Limited	Vivek Engineering Services
Meridian Infotech	Vohra Engineering Works
Metal Gems	Voltamp Transformers Private Limited
Metalcraft Engineering & Spring	Vrushali Sales Corporation
Micro Craft Engineering	W.S.Industries (India)
Micro Tuf Engineers	Wezmann Electrical Systems
Milind Engineering Works	Win Matrix
Minilec (India) Private Limited	Yoshama & Company Private Limited
Mita Fasteners Private Limited	Zeal Enterprise
Monarch Industries	Zenith Industrial Products
MTL India Private Limited	



# Cash Flow Statement

For the year ended 31 December 2005

(Rs in Thousands)

	2005	2004
<b>A. Cash Flow from Operating Activities</b>		
Net Profit Before Tax and Exceptional Item	3,394,770	2,365,200
Exceptional Item - Profit on Sale of Undertaking	-	37,991
	<u>3,394,770</u>	<u>2,403,191</u>
<b>Adjustments for</b>		
Depreciation	231,407	203,597
Unrealised Losses/ (Gains) on Restatement of Monetary Assets (net)	3,881	4,169
Unrealised Losses/ (Gains) on Restatement of Monetary Liabilities (net)	(16,170)	(8,413)
Loss / (Profit) on Sale of Fixed Assets, (net)	691	7,412
Loss / (Profit) on Sale of Investments, (net)	-	15,544
Write back of provision for diminution in the value of Investment	-	(1,713)
Interest Income	(231,581)	(145,177)
Dividend Income	(421)	(11,136)
Interest Expense	66,397	13,483
Exceptional Item - Profit on Sale of Undertaking	-	(37,991)
Operating Profit before Working Capital Changes	<u>3,448,974</u>	<u>2,442,966</u>
<b>Movement in Working Capital</b>		
Decrease/(Increase) in Sundry Debtors	(4,031,968)	(909,694)
Decrease/(Increase) in Inventories	(332,948)	(447,756)
Decrease/(Increase) in Loans and Advances	(188,347)	89,213
Decrease/(Increase) in Other Current Assets	(1,316,255)	(444,234)
Increase/(Decrease) in Current Liabilities and Provisions	4,453,162	1,831,139
Working Capital Items Transferred on Sale of undertakings	-	(56,139)
Cash Generated from Operations	<u>2,032,618</u>	<u>2,505,495</u>
Direct Taxes Paid (net of refunds)	<u>(1,260,547)</u>	<u>(789,231)</u>
<b>Net cash generated from Operating Activities</b>	<u>772,071</u>	<u>1,716,264</u>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(903,183)	(504,699)
Proceeds from sale of Fixed Assets	10,102	12,799
Purchase of Investments	(54,728)	(3,258,310)
Sale/Maturity of Investments	252,894	2,760,691
Interest Received	156,541	157,279
Dividends Received	421	11,136
Consideration Received from Sale of Undertaking	-	128,102
<b>Net cash used in Investing Activities</b>	<u>(537,953)</u>	<u>(693,002)</u>

For the year ended 31 December 2005

(Rs in Thousands)

	2005	2004
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from new Borrowings	821,538	778,440
Repayment of Borrowings	(809,203)	(864,549)
Interest Paid	(66,397)	(13,483)
Dividend paid	(337,911)	(286,477)
<b>Net Cash used in Financing Activities</b>	<b>(391,973)</b>	<b>(386,069)</b>
<b>Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>(157,855)</b>	<b>637,193</b>
Cash and Cash Equivalents (Opening Balance)	4,167,509	3,530,316
Cash and Cash Equivalents (Closing Balance)	4,009,654	4,167,509
<b>Components of Cash and Cash Equivalents as at 31 December</b>	<b>2005</b>	<b>2004</b>
Cash and Cheques on Hand	3,047	3,390
Balances With Banks - on Current Account	2,005,879	1,162,766
- on Deposit Account	2,000,728	3,001,241
- on Margin Account	-	112
	<b>4,009,654</b>	<b>4,167,509</b>

Note: The figures of the previous year have been regrouped/reclassified, where necessary, to conform with the classification of the current year.

As per our report of even date

For and on behalf of the Board

For S. R. Batliboi & Company  
Chartered Accountants

per Sunil Bhumralkar  
Partner  
Membership No. 35141

Mumbai, 24 January, 2006

Dinesh Paliwal	Chairman
Ravi Uppal	Vice Chairman & Managing Director
Biplab Majumder	Executive Director
Nasser Munjee	Director
N S Raghavan	Director
D E Udvardia	Director
K Sridhar	Director
K Rajagopal	Sr. Vice President - Finance
B Gururaj	Company Secretary

Mumbai, 24 January, 2006

# Balance Sheet Abstract and Company's General Business Profile

## I Registration Details

Registration No.

Balance Sheet Date

Date      Month      Year

State Code

## II Capital Raised During the year (Rs in Thousands)

Public Issue

Bonus Issue

Rights Issue

Private Placement

## III Position of Mobilisation and Deployment of Funds (Rs in Thousands)

Total Liabilities

Sources of Funds

Paid Up Capital

Secured Loans

Deferred Tax Liability

Total Assets

Reserve and Surplus

Unsecured Loans

Application of Funds

Net Fixed Assets

Net Current Assets

Accumulated Losses

Investments

Misc. Expenditure

## IV Performance of the Company (Rs in Thousand)

Turnover

+/- Profit/Loss Before Tax

Earnings per share in Rs

Total Expenditure

+/- Profit/Loss After Tax

Dividend Rate %

## V Generic Names of Three Principal products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)

85.35

Product Description

Switchgears of all types

Item Code No. (ITC Code)

85.04

Product Description

Transformers

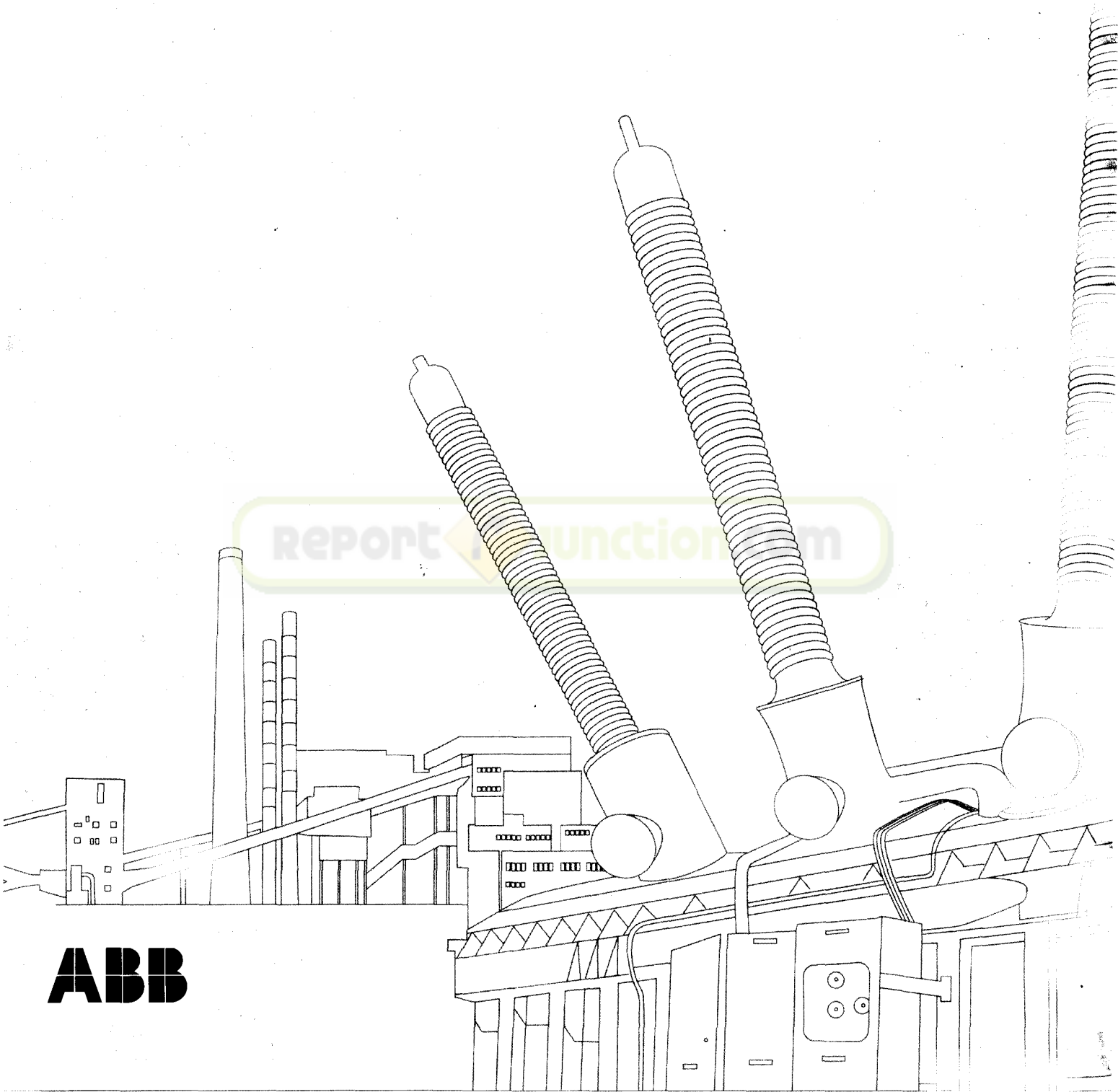
Item Code No. (ITC Code)

85.04

Product Description

Electronic Control and Supply Units for Variable Speed Drives and Other applications





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